



Steve Tshwete Local Municipality
Annual Financial Statements
for the year ended 30 June 2017
Published 31 August 2017

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	MP313
Grading of local authority	Grade 4
Capacity of local authority	High capacity
Nature of business and principal activities	<p>The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:</p> <p>General services - All types of services rendered by the municipality, excluding the supply of housing to the community.</p> <p>Waste Management Services - The collection, disposal and recycling of waste.</p> <p>Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.</p> <p>Waste water management - Collection and purification of waste water.</p> <p>Water Services -Supply and purifying of water.</p>
The following is included in the scope of operation	From 6 August 2016
Executive mayor	Cllr MAS Masina
Speaker	Cllr AM Mabena
Council whip	Cllr SD Nkadimeng

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Mayoral committee

Cllr MI Kgalema
Cllr DJ Motsepe
Cllr SM Malepeng
Cllr MTE Mnguni
Cllr J Matshiane
Cllr JM Mitchell

Councillors

Cllr LK Mahlangu
Cllr RG Mamogale
Cllr AB Malumo
Cllr PM Masilela
Cllr M Masina
Cllr M Mbatiwe
Cllr NC Mkhuma
Cllr TP Mnisi
Cllr TS Motloung
Cllr ET Motsepe
Cllr MC Mphego
Cllr MJ Sekgwele
Cllr DJ Skosana
Cllr J Skosana
Cllr AM Mahlangu
Cllr MN Mathibela
Cllr M Mathibela
Cllr TN Morufane
Cllr TP Motau
Cllr DL Paul
Cllr MM Skhosana
Cllr MR Mnguni
Cllr R Vilakazi
Cllr RM Xaba
Cllr LJV Zondo
Cllr EM Bruiners
Cllr E Du Toit
Cllr J Dyason
Cllr AS Grobler
Cllr P Mobango
Cllr SM Mogola
Cllr HF Niemann
Cllr KJ Phasha
Cllr JP Pretorius
Cllr Cllr GHE Romijn
Cllr SJ Roos
Cllr P Sithole
Cllr HG De Klerk
Cllr A Struwig
Cllr DA Stuurman
Cllr TN Van Zyl
Cllr S Wait
Cllr JP Duvenage
Cllr KPJ Uys
Cllr P Mailola
Cllr A Mangcotywa
Cllr M Hadebe
Cllr LC Masemola
Cllr CM Mosoma
Cllr JN Mthombeni
Cllr E Sebesho

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From Prior 6 August 2016

Executive Mayor
Speaker
Council Whip

Cllr MAS Masina
Cllr RM Xaba
Cllr BP Ndala

Mayoral committee

Cllr NJ Mahlangu
Cllr EF Mathebula
Cllr DJ Motsepe
Cllr SD Nkadimeng
Cllr EP Nkosi

Councillors

Cllr H Piloda
Cllr E Du Toit
Cllr J Dyason
Cllr AS Grobler
Cllr PM Hadebe
Cllr EA Jele
Cllr DS Khanyile
Cllr TR Langeveld
Cllr DM Longman
Cllr SA Lukhele
Cllr NJ Mahlangu
Cllr TB Mahlangu
Cllr O Malinga
Cllr LI Manzini
Cllr PJ Masilela
Cllr MA Masina
Cllr EF Mathebula
Cllr M Mathibela
Cllr J Matshiane
Cllr M Mbatiwe
Cllr LE Mkhuma
Cllr NJ Mlambo
Cllr MTE Mnguni
Cllr MR Mnguni
Cllr SM Mnguni
Cllr P Mobango
Cllr SM Mogola
Cllr KN Monareng
Cllr TM Morufane
Cllr MS Motebu
Cllr DJ Motsepe
Cllr GZ Msimango
Cllr ZD Mtshweni
Cllr BP Ndala
Cllr HF Niemann
Cllr SD Nkadimeng
Cllr EP Nkosi
Cllr ME Nyambi
Cllr H Pilodia
Cllr JP Pretorius

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General Information

Cllr GHE Romjin
Cllr SJ Roos
Cllr MJ Sekgwele
Cllr MJ Selala
Cllr MT Selala
Cllr PM Shongwe
Cllr PN Sithole
Cllr DJ Skhosana
Cllr BC Skosana
Cllr J Skosana
Cllr A Struwig
Cllr PP Tau
Cllr PI Thwala
Cllr KPJ Uys
Cllr TN Van Zyl
Cllr S Wait
Cllr RM Xaba
Cllr SS Zitha

Accounting Officer

SM Mnguni (Acting)

Chief Finance Officer (CFO)

E Wassermann

Registered office

Civic Centre
Wanderers Avenue
Middelburg
1050

Postal address

P.O. Box 14
Middelburg
1050

Bankers

ABSA Bank
Nelspruit

Auditors

Auditor-General of South Africa
Nelspruit

Attorneys

Van Deventer and Campher Inc.
Maphanga and Essa Inc.
Mmela Mtsweni Attorneys
Mohube Setsoalo Mabusela Inc.
Nkgadima MS Attorneys
Johan Alberts Attorneys

All figures are rounded off to the nearest rand (R)

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
SALGA	South African Local Government Association

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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 2017 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 external auditors are responsible for the audit and reporting on the municipality's annual financial statements. The annual financial statements have been audited by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on pages 8 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Accounting Officer
SM Mnguni (Acting)
Middelburg

31 August 2017

Steve Tshwete Local Municipality

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
M Mmapheto (Chairperson)	5
V Chuene	5
L Langalebalela	6
L Thubakgale	5
M Mathabathe	6

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of Internal Control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the audit report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The Audit Committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal Audit and Risk Management

The Audit Committee is satisfied that the internal audit and the risk management function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	9	168 799 807	169 675 280
Long term receivables	11	37 657	41 688
Operating lease asset	8	262 158	2 292 990
Other receivables from exchange transactions	4&5	28 835 511	26 093 814
Receivables from non-exchange transactions	4&6	5 709 384	11 125 056
VAT receivable	7	6 441 569	6 070 158
Receivables from exchange transactions	4	78 207 626	73 504 781
Investments	10	482 000 000	485 000 000
Cash and cash equivalents	3	83 901 579	80 463 242
		854 195 291	854 267 009
Non-Current Assets			
Investment property	12	26 006 538	25 950 913
Property, plant and equipment	13	6 208 806 200	6 047 795 005
Intangible assets	14	7 356 612	1 284 736
Long term receivables	11	-	21 239
		6 242 169 350	6 075 051 893
Total Assets		7 096 364 641	6 929 318 902
Liabilities			
Current Liabilities			
Long term liabilities	21	11 442 543	10 334 263
Finance lease obligation	18	1 056 937	106 805
Payables from exchange transactions	15	168 366 735	158 406 765
Payables from non-exchange transactions	16	2 101 406	6 796 510
Consumer deposits	17	89 257 757	81 886 507
Employee benefit obligation	23	3 224 000	2 500 860
Unspent conditional grants and receipts	19	2 026 623	5 344 905
Provisions	20	1 518 821	1 366 271
Long service award	22	1 651 000	1 830 099
		280 645 822	268 572 985
Non-Current Liabilities			
Long term liabilities	21	55 323 355	66 765 898
Finance lease obligation	18	4 571 138	-
Employee benefit obligation	23	87 625 060	81 109 921
Provisions	20	25 000 895	18 767 012
Long service award	22	16 943 629	15 859 434
		189 464 077	182 502 265
Total Liabilities		470 109 899	451 075 250
Net Assets		6 626 254 742	6 478 243 652
Accumulated surplus		6 626 254 742	6 478 243 652

* See Note 47

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Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	25	723 831 163	680 081 700
Rental of facilities and equipment		15 239 388	17 065 885
Interest received - trading	26	3 425 188	2 860 040
Income from agency services		20 345 495	17 659 784
Licences and permits		8 799 652	8 758 199
Other income	28	28 254 020	33 489 449
Investment revenue	27	47 867 886	40 559 585
Total revenue from exchange transactions		847 762 792	800 474 642
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	309 753 630	291 042 367
Transfer revenue			
Government grants and subsidies	30	190 727 740	182 444 853
Public contributions and donations	31	82 098 786	61 135 026
Fines, penalties and forfeits		18 316 692	17 015 677
Total revenue from non-exchange transactions		600 896 848	551 637 923
Total revenue		1 448 659 640	1 352 112 565
Expenditure			
Employee related costs	32	(417 546 634)	(363 305 143)
Remuneration of councillors	33	(19 588 849)	(19 089 603)
Depreciation and amortisation	34	(150 879 779)	(147 734 351)
Impairment loss/ Reversal of impairments	35	(7 031 746)	(12 978 003)
Finance costs	36	(18 639 974)	(9 336 534)
Rentals		(573 450)	(1 021 495)
Debt impairment	37	(29 180 141)	(8 293 281)
Collection costs		(1 704 614)	(342 658)
Repairs and maintenance		(73 356 543)	(65 327 054)
Bulk purchases	38	(410 753 825)	(379 618 096)
Contracted services	39	(42 654 882)	(38 586 791)
Grants and subsidies paid	40	(5 963 573)	(5 201 820)
Contribution to provisions		(3 017 947)	(17 673 202)
General expenses	41	(122 423 378)	(122 357 172)
Total expenditure		(1 303 315 335)	(1 190 865 203)
Operating surplus		145 344 305	161 247 362
(Loss) gain on disposal of assets and liabilities		(903 912)	289 806
Actuarial gains/(losses)	23	3 576 693	-
		2 672 781	289 806
Surplus for the year		148 017 086	161 537 168

* See Note 47

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	6 301 595 045	6 301 595 045
Adjustments		
Correction of errors	15 111 439	15 111 439
Balance at 01 July 2015 as restated*	6 316 706 484	6 316 706 484
Changes in net assets		
Surplus for the year	161 537 168	161 537 168
Total changes	161 537 168	161 537 168
Opening balance as previously reported	6 462 161 040	6 462 161 040
Adjustments		
Correction of errors	16 076 616	16 076 616
Restated* Balance at 01 July 2016 as restated*	6 478 237 656	6 478 237 656
Changes in net assets		
Surplus for the year	148 017 086	148 017 086
Total changes	148 017 086	148 017 086
Balance at 30 June 2017	6 626 254 742	6 626 254 742

* See Note 47

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Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 100 580 868	1 070 783 355
Grants		182 724 355	190 262 204
Interest income		51 293 074	43 419 625
		<u>1 334 598 297</u>	<u>1 304 465 184</u>
Payments			
Employee costs		(438 441 522)	(370 155 835)
Suppliers		(629 738 982)	(639 620 275)
Finance costs		(7 617 271)	(8 391 097)
Grants paid		(5 963 573)	(5 201 820)
		<u>(1 081 761 348)</u>	<u>(1 023 369 027)</u>
Net cash flows from operating activities	43	<u>252 836 949</u>	<u>281 096 157</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(244 030 381)	(215 308 615)
Disposal of property, plant and equipment	13	2 963 595	2 561 772
Purchase of investment property	12	(55 625)	-
Purchase of other intangible assets	14	(6 488 478)	-
Cash receipts from the repayment of long term receivables		25 270	95 385
Cash payments to acquire investments		-	(75 000 000)
Cash receipts from sale of investments		3 000 000	-
		<u>(244 585 619)</u>	<u>(287 651 458)</u>
Net cash flows from investing activities		<u>(244 585 619)</u>	<u>(287 651 458)</u>
Cash flows from financing activities			
Repayment of long term liabilities		(10 334 263)	(11 737 369)
Finance lease payments/receipts		5 521 270	(179 194)
		<u>(4 812 993)</u>	<u>(11 916 563)</u>
Net cash flows from financing activities		<u>(4 812 993)</u>	<u>(11 916 563)</u>
Net increase/(decrease) in cash and cash equivalents		3 438 337	(18 471 864)
Cash and cash equivalents at the beginning of the year		<u>80 463 242</u>	<u>98 935 106</u>
Cash and cash equivalents at the end of the year	3	<u>83 901 579</u>	<u>80 463 242</u>

* See Note 47

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	773 395 343	(44 129 495)	729 265 848	723 831 163	(5 434 685)	
Rental of facilities and equipment	17 488 224	42 814	17 531 038	15 239 388	(2 291 650)	
Interest received (trading)	2 314 533	720 300	3 034 833	3 425 188	390 355	
Income from agency services	15 909 100	400 000	16 309 100	20 345 495	4 036 395	
Licences and permits	9 275 565	(38 015)	9 237 550	8 799 652	(437 898)	
Other income	76 550 393	(4 658 337)	71 892 056	28 254 020	(43 638 036)	
Interest received - investment	24 981 300	6 700 000	31 681 300	47 867 886	16 186 586	
Total revenue from exchange transactions	919 914 458	(40 962 733)	878 951 725	847 762 792	(31 188 933)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	304 861 283	2 370 610	307 231 893	309 753 630	2 521 737	
Transfer revenue						
Government grants & subsidies	197 244 905	3 651 767	200 896 672	190 727 740	(10 168 932)	
Public contributions and donations	20 033 000	(332 875)	19 700 125	82 098 786	62 398 661	
Fines, Penalties and Forfeits	4 695 023	6 928 770	11 623 793	18 316 692	6 692 899	
Total revenue from non-exchange transactions	526 834 211	12 618 272	539 452 483	600 896 848	61 444 365	
Total revenue	1 446 748 669	(28 344 461)	1 418 404 208	1 448 659 640	30 255 432	
Expenditure						
Employee related costs	(412 117 366)	(6 568 785)	(418 686 151)	(417 546 634)	1 139 517	
Remuneration of councillors	(21 075 838)	404 500	(20 671 338)	(19 588 849)	1 082 489	
Depreciation and amortisation	(154 696 859)	-	(154 696 859)	(150 879 779)	3 817 080	
Impairment loss/ Reversal of impairments	-	-	-	(7 031 746)	(7 031 746)	
Finance costs	(35 746 556)	15 891 928	(19 854 628)	(18 639 974)	1 214 654	
Lease rentals on operating lease	-	-	-	(573 450)	(573 450)	
Debt impairment	(9 973 836)	(5 500 000)	(15 473 836)	(29 180 141)	(13 706 305)	
Collection costs	-	-	-	(1 704 614)	(1 704 614)	
Repairs and maintenance	-	-	-	(73 356 543)	(73 356 543)	
Bulk purchases	(422 709 506)	3 268 320	(419 441 186)	(410 753 825)	8 687 361	
Contracted services	(46 517 637)	(2 033 489)	(48 551 126)	(42 654 882)	5 896 244	
Grants and subsidies	(1 760 000)	(4 283 817)	(6 043 817)	(5 963 573)	80 244	
Contribution to provisions	-	-	-	(3 017 947)	(3 017 947)	
General expenses	(299 558 513)	26 593 352	(272 965 161)	(122 423 378)	150 541 783	
Total expenditure	(1 404 156 111)	27 772 009	(1 376 384 102)	(1 303 315 335)	73 068 767	
Operating surplus	42 592 558	(572 452)	42 020 106	145 344 305	103 324 199	
Loss on disposal of assets and liabilities	145 000	(42 738)	102 262	(903 912)	(1 006 174)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Actuarial gains/losses	-	-	-	3 576 693	3 576 693	
	145 000	(42 738)	102 262	2 672 781	2 570 519	
Surplus before taxation	42 737 558	(615 190)	42 122 368	148 017 086	105 894 718	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	42 737 558	(615 190)	42 122 368	148 017 086	105 894 718	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	49 601 406	-	49 601 406	168 799 807	119 198 401	
Long term receivables	-	-	-	37 657	37 657	
Operating lease asset	-	-	-	262 158	262 158	
Other receivables from exchange transactions	21 510 569	-	21 510 569	28 835 511	7 324 942	
Receivables from non-exchange transactions	-	-	-	5 709 384	5 709 384	
VAT receivable	-	-	-	6 441 569	6 441 569	
Trade receivables from exchange transactions	65 352 007	-	65 352 007	78 207 626	12 855 619	
Investments	624 000 000	(126 000 000)	498 000 000	482 000 000	(16 000 000)	
Cash and cash equivalents	61 227 034	9 953 407	71 180 441	83 901 579	12 721 138	
	821 691 016	(116 046 593)	705 644 423	854 195 291	148 550 868	
Non-Current Assets						
Investment property	24 937 113	-	24 937 113	26 006 538	1 069 425	
Property, plant and equipment	6 242 604 767	51 644 325	6 294 249 092	6 208 806 200	(85 442 892)	
Intangible assets	3 211 672	200 000	3 411 672	7 356 612	3 944 940	
	6 270 753 552	51 844 325	6 322 597 877	6 242 169 350	(80 428 527)	
Total Assets	7 092 444 568	(64 202 268)	7 028 242 300	7 096 364 641	68 122 341	
Liabilities						
Current Liabilities						
Long term liabilities	13 211 536	-	13 211 536	11 442 543	(1 768 993)	
Finance lease obligation	-	-	-	1 056 937	1 056 937	
Payables from exchange transactions	183 553 449	(83 073 647)	100 479 802	168 366 735	67 886 933	
Taxes and transfers payable (non-exchange)	-	-	-	2 101 406	2 101 406	
Consumer deposits	83 484 299	-	83 484 299	89 257 757	5 773 458	
Employee benefit obligation	-	-	-	3 224 000	3 224 000	
Unspent conditional grants and receipts	-	-	-	2 026 623	2 026 623	
Provisions	5 703 410	-	5 703 410	1 518 821	(4 184 589)	
Long service award	-	-	-	1 651 000	1 651 000	
	285 952 694	(83 073 647)	202 879 047	280 645 822	77 766 775	
Non-Current Liabilities						
Long term liabilities	276 281 169	(209 151 053)	67 130 116	55 323 355	(11 806 761)	
Finance lease obligation	-	-	-	4 571 138	4 571 138	
Employee benefit obligation	-	-	-	87 625 060	87 625 060	
Provisions	118 799 336	1 151 295	119 950 631	25 000 895	(94 949 736)	
Long service award	-	-	-	16 943 629	16 943 629	
	395 080 505	(207 999 758)	187 080 747	189 464 077	2 383 330	

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Total Liabilities	681 033 199	(291 073 405)	389 959 794	470 109 899	80 150 105	
Net Assets	6 411 411 369	226 871 137	6 638 282 506	6 626 254 742	(12 027 764)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Reserves	239 282 039	-	239 282 039	-	(239 282 039)	
Accumulated surplus	6 172 129 330	226 871 137	6 399 000 467	6 626 254 742	227 254 275	
Total Net Assets	6 411 411 369	226 871 137	6 638 282 506	6 626 254 742	(12 027 764)	

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	1 202 324 931	(39 233 653)	1 163 091 278	1 100 580 868	(62 510 410)	
Grants	197 244 905	3 651 767	200 896 672	182 724 355	(18 172 317)	
Interest income	27 295 833	7 420 300	34 716 133	51 293 074	16 576 941	
	1 426 865 669	(28 161 586)	1 398 704 083	1 334 598 297	(64 105 786)	
Payments						
Suppliers	(1 201 983 860)	30 730 193	(1 171 253 667)	(1 068 180 504)	103 073 163	
Finance costs	(35 746 556)	15 891 928	(19 854 628)	(7 617 271)	12 237 357	
Grants paid	(1 760 000)	(4 283 817)	(6 043 817)	(5 963 573)	80 244	
	(1 239 490 416)	42 338 304	(1 197 152 112)	(1 081 761 348)	115 390 764	
Net cash flows from operating activities	187 375 253	14 176 718	201 551 971	252 836 949	51 284 978	
Cash flows from investing activities						
Purchase of property, plant and equipment	(257 174 759)	(51 804 322)	(308 979 081)	(250 574 484)	58 404 597	
Proceeds from sale of property, plant and equipment	150 000	-	150 000	2 963 595	2 813 595	
Movement in investments (incl. Controlled entities, JVs & Assoc)	(144 000 000)	270 000 000	126 000 000	3 000 000	(123 000 000)	
Long term receivables	-	-	-	25 270	25 270	
Net cash flows from investing activities	(401 024 759)	218 195 678	(182 829 081)	(244 585 619)	(61 756 538)	
Cash flows from financing activities						
Borrowings long term	224 162 140	(224 162 140)	-	-	-	
Increase / (decrease) in finance lease	5 765 991	(2 847 113)	2 918 878	5 521 270	2 602 392	
Repayment of borrowing	(16 770 192)	-	(16 770 192)	(10 334 263)	6 435 929	
Net cash flows from financing activities	213 157 939	(227 009 253)	(13 851 314)	(4 812 993)	9 038 321	
Net increase/(decrease) in cash and cash equivalents	(491 567)	5 363 143	4 871 576	3 438 337	(1 433 239)	
Cash and cash equivalents at the beginning of the year	61 718 601	18 911 982	80 630 583	80 463 242	(167 341)	
Cash and cash equivalents at the end of the year	61 227 034	24 275 125	85 502 159	83 901 579	(1 600 580)	

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Appropriation Statement

Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	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
R	R	R	R	R	R	R	R	R	R	R

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	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
	R	R	R	R	R	R	R	R	R	R	R
2017											
Financial Performance											
Property rates	304 861 283	2 370 610	307 231 893	-	-	307 231 893	309 753 630	-	2 521 737	101 %	102 %
Service charges	773 395 343	(44 129 495)	729 265 848	-	-	729 265 848	723 831 163	-	(5 434 685)	99 %	94 %
Investment revenue	24 981 300	6 700 000	31 681 300	-	-	31 681 300	47 867 886	-	16 186 586	151 %	192 %
Transfers recognised - operational	140 560 000	-	140 560 000	-	-	140 560 000	141 123 061	-	563 061	100 %	100 %
Other own revenue	126 382 838	3 395 532	129 778 370	-	-	129 778 370	100 403 410	-	(29 374 960)	77 %	79 %
Total revenue (excluding capital transfers and contributions)	1 370 180 764	(31 663 353)	1 338 517 411	-	-	1 338 517 411	1 322 979 150	-	(15 538 261)	99 %	97 %
Employee costs	(412 117 366)	(6 568 785)	(418 686 151)	-	-	(418 686 151)	(417 546 634)	-	1 139 517	100 %	101 %
Remuneration of councillors	(21 075 838)	404 500	(20 671 338)	-	-	(20 671 338)	(19 588 849)	-	1 082 489	95 %	93 %
Debt impairment	(9 973 836)	(5 500 000)	(15 473 836)	-	-	(15 473 836)	(29 180 141)	-	(13 706 305)	189 %	293 %
Depreciation and asset impairment	(154 696 859)	-	(154 696 859)	-	-	(154 696 859)	(157 925 811)	-	(3 228 952)	102 %	102 %
Finance charges	(35 746 556)	15 891 928	(19 854 628)	-	-	(19 854 628)	(18 639 974)	-	1 214 654	94 %	52 %
Materials and bulk purchases	(422 709 506)	3 268 320	(419 441 186)	-	-	(419 441 186)	(410 753 825)	-	8 687 361	98 %	97 %
Transfers and grants	(1 760 000)	(4 283 817)	(6 043 817)	-	-	(6 043 817)	(5 963 573)	-	80 244	99 %	339 %
Other expenditure	(346 081 150)	24 517 125	(321 564 025)	-	-	(321 564 025)	(247 066 722)	-	74 497 303	77 %	71 %
Total expenditure	(1 404 161 111)	27 729 271	(1 376 431 840)	-	-	(1 376 431 840)	(1 306 665 529)	-	69 766 311	95 %	93 %
Surplus/(Deficit)	(33 980 347)	(3 934 082)	(37 914 429)	-	-	(37 914 429)	16 313 621	-	54 228 050	(43)%	(48)%

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	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
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	56 684 905	3 651 767	60 336 672	-		60 336 672	49 604 679		(10 731 993)	82 %	88 %
Contributions recognised - capital and contributed assets	20 033 000	(332 875)	19 700 125	-		19 700 125	82 098 785		62 398 660	417 %	410 %
Surplus (Deficit) after capital transfers and contributions	42 737 558	(615 190)	42 122 368	-		42 122 368	148 017 085		105 894 717	351 %	346 %
Surplus/(Deficit) for the year	42 737 558	(615 190)	42 122 368	-		42 122 368	148 017 085		105 894 717	351 %	346 %
Capital expenditure and funds sources											
Total capital expenditure	257 134 759	51 844 322	308 979 081	-		308 979 081	321 009 311		12 030 230	104 %	125 %

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	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
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	187 375 253	14 176 718	201 551 971	-		201 551 971	252 836 949		51 284 978	125 %	135 %
Net cash from (used) investing	(401 024 759)	218 195 678	(182 829 081)	-		(182 829 081)	(244 585 619)		(61 756 538)	134 %	61 %
Net cash from (used) financing	213 157 939	(227 009 253)	(13 851 314)	-		(13 851 314)	(4 812 993)		9 038 321	35 %	(2)%
Net increase/(decrease) in cash and cash equivalents	(491 567)	5 363 143	4 871 576	-		4 871 576	3 438 337		(1 433 239)	71 %	(699)%
Cash and cash equivalents at the beginning of the year	61 718 601	20 292 614	82 011 215	-		82 011 215	80 463 242		(1 547 973)	98 %	130 %
Cash and cash equivalents at year end	61 227 034	25 655 757	86 882 791	-		86 882 791	83 901 579		2 981 212	97 %	137 %

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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. All figures are rounded to the nearest Rand.

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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.

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of payment.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality. Management will increase the useful lives of property, plant and equipment when annual re-assessments indicates significant differences in expectations to previous estimates.

Post-retirement benefits and other long-term benefits

The present value of the post retirement obligation and other long-term employee obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on the government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 23.

Effective interest rate

The municipality used the incremental borrowing rate to discount future cash flows.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment

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

1.3 Investment property

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

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

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

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

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

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

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	Indefinite

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

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

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.

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:

- primary use of the property;
- partial own use, percentage used for own use compared to percentage used to earn rentals and/or capital appreciation; and
- ancillary services, significance of services provided.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 12).

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

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 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 are initially measured at cost.

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

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

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

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

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

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

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

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

Major spare parts and standby equipment and servicing equipment of property, plant and equipment that are required to be replaced at intervals, the municipality recognises such parts and equipment as individual assets with specific useful lives.

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.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	30 - 100 years
Landfill site	Straight line	50 years
Infrastructure	Straight line	5 - 100 years
Community assets	Straight line	10 - 100 years
Other property, plant and equipment	Straight line	2 - 30 years
Housing - properties purchased from previous housing development fund	Straight line	30 - 100 years

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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.

Items of municipality 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.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

1.5 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; changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle obligation, or change in discount rate; and the obligation for which an 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.

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.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

Subsequent to initial measurement 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	Straight line	3 - 10 years

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Intangible assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.7 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 the municipality 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 the municipality's statement of financial position.

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, the municipality 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 (as per 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 municipality 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 municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

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

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

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.

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Accounting Policies

1.7 Financial instruments (continued)

Liquidity risk is the risk encountered by the municipality 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.

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Operating lease asset	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Long term liabilities	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost

Steve Tshwete Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

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

Where financial assets are impaired through the use of an allowance, the account of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

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

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

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

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

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

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

The transaction amount (for purposes of this Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

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Accounting Policies

1.8 Statutory receivables (continued)

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

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

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

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

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

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

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Accounting Policies

1.8 Statutory receivables (continued)

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

Derecognition

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

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

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

1.9 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 - 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 municipality's incremental borrowing rate.

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.

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

Operating leases - lessee

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

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Accounting Policies

1.10 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.

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 weighted average cost 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.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 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:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risks involved in holding such an asset; and
- service delivery objective.

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

- 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.

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.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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.

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Accounting Policies

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risks involved in holding such an asset; and
- service delivery objective.

Identification

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

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.

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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 non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the 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.

1.13 Employee benefits

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

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 municipality recognise 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 municipality recognise 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality has no realistic alternative but to make the payments.

Steve Tshwete Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

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 municipality 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.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount 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 obligation.

Steve Tshwete Local Municipality

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Accounting Policies

1.13 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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 municipality 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 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 municipality measure 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 municipality 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.

The municipality 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;
- actuarial gains and losses; and
- past service cost.

The municipality 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.

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Accounting Policies

1.13 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes 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, the municipality 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 municipality 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 municipality re-measure 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 presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

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.

Steve Tshwete Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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 municipality recognises 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; and
- actuarial gains and losses, which shall all be recognised immediately.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality 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 municipality is demonstrably committed to a termination when the municipality 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 twelve 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.

1.14 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.

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Accounting Policies

1.14 Provisions and contingencies (continued)

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 deficits.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a 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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the municipality.

A contingent liability is an:

- a possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- present obligation that arises from past events but is not recognised because, it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Steve Tshwete Local Municipality

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Accounting Policies

1.14 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:

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; and
- 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 there is such an indication, the municipality test 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 1.11 and 1.12.

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.

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

1.15 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 are 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.

1.16 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.

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.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

When 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 surveys of work performed.

Interest and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

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

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

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

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.

Steve Tshwete Local Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Steve Tshwete Local Municipality

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Accounting Policies

1.17 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.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 47 for detail.

1.21 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.

Steve Tshwete Local Municipality

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Accounting Policies

1.21 Unauthorised expenditure (continued)

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

1.22 Fruitless and wasteful expenditure

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

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

1.23 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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

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

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred

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Accounting Policies

1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 2016/06/01 to 2017/06/30.

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

Comparative information is not required.

1.26 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.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

1.27 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 discloses 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.

1.28 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.29 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15 (2) of the VAT Act (Act No 89 of 1991).

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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:

GRAP 16 (as revised 2015) Investment Property

The following amendments were made to the standard:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarification of the wording related to the use of external valuers;
- introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

The following amendments were made to the standard:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarification of the wording related to the use of external valuers;
- introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

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 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

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Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in the municipality's financial statements. It also considers joint control of land by more than one entity.

When the municipality concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16) or Property, Plant and Equipment (GRAP 17). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the municipality applies the applicable Standard of GRAP to account for the land once control of the land has been determined. The municipality also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date.

The impact of this interpretation is currently being assessed.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).

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2. New standards and interpretations (continued)

- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

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2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

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Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

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2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when the municipality is a principal or an agent.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time; and the operator is compensated for its services over the period of the service concession arrangement. The operator providing the mandated function can either be a private party or another public sector entity.

Public Private Partnership agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph 07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

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2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any interest or other changes that may have accrued on the receivable (where applicable), impairment losses and amounts derecognised.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

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Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

GRAP 18 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in the budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2018

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
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3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42 380	42 380
Bank balances	83 859 199	80 420 862
	83 901 579	80 463 242

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank (Nelspruit)-cheque account 1040-000-077	68 026 305	72 632 713	89 450 780	51 852 101	54 493 222	78 503 556
ABSA Bank (Nelspruit)-cheque account 4078-303-563	32 119 664	25 274 564	20 456 780	32 007 098	25 927 640	20 389 170
Total	100 145 969	97 907 277	109 907 560	83 859 199	80 420 862	98 892 726

4. Trade receivables from exchange transactions

Gross balances

Rates	41 917 396	39 362 816
Electricity	30 182 347	24 579 010
Water	11 943 265	10 462 638
Sewerage	8 328 294	7 389 419
Refuse	7 178 858	6 477 458
Housing rental	59 535	52 288
VAT, interest and deposits	12 331 981	11 157 742
	111 941 676	99 481 371

Less: Allowance for impairment

Rates	(12 631 966)	(10 278 024)
Electricity	(9 095 565)	(6 418 074)
Water	(3 599 148)	(2 732 006)
Sewerage	(2 509 763)	(1 929 526)
Refuse	(2 163 376)	(1 691 395)
Housing rental	(17 941)	(13 653)
VAT, interest and deposits	(3 716 289)	(2 913 511)
	(33 734 048)	(25 976 189)

Net balance

Rates	29 285 430	29 084 392
Electricity	21 086 782	18 160 935
Water	8 344 117	7 730 633
Sewerage	5 818 531	5 459 893
Refuse	5 015 482	4 786 063
Housing rental	41 594	52 288
VAT, interest and deposits	8 615 692	8 230 578
	78 207 628	73 504 782

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
4. Trade receivables from exchange transactions (continued)		
Included in above is receivables from exchange transactions		
Electricity	21 086 782	18 160 935
Water	8 344 117	7 730 633
Sewerage	5 818 531	5 459 893
Refuse	5 015 482	4 786 063
Housing rental	41 594	38 634
VAT, interest and deposits	8 615 692	8 244 231
	48 922 198	44 420 389
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	28 862 089	29 084 392
	77 784 287	73 504 781
Rates		
Current (0 -30 days)	19 436 229	18 940 886
31 - 60 days	2 171 065	2 050 054
61 - 90 days	1 523 360	2 569 144
91 - 120 days	1 180 065	1 106 046
121 - 150 days	1 044 357	973 907
> 151 days	16 562 320	13 722 779
	41 917 396	39 362 816
Electricity		
Current (0 -30 days)	25 684 752	20 102 232
31 - 60 days	799 892	924 814
61 - 90 days	499 997	757 751
91 - 120 days	351 412	308 982
121 - 150 days	204 672	217 776
> 151 days	2 641 622	2 267 456
	30 182 347	24 579 011
Water		
Current (0 -30 days)	4 116 716	5 012 439
31 - 60 days	712 016	528 103
61 - 90 days	612 521	701 784
91 - 120 days	526 829	327 081
121 - 150 days	395 983	214 514
> 151 days	5 579 200	3 678 717
	11 943 265	10 462 638
Sewerage		
Current (0 -30 days)	3 747 894	3 944 238
31 - 60 days	517 837	418 951
61 - 90 days	320 442	456 167
91 - 120 days	262 135	197 910
121 - 150 days	217 486	161 421
> 151 days	3 262 500	2 210 732
	8 328 294	7 389 419

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	2017 R	2016 R
4. Trade receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	3 924 197	3 583 392
31 - 60 days	464 877	416 111
61 - 90 days	244 977	388 436
91 - 120 days	199 111	158 453
121 - 150 days	167 809	133 917
> 151 days	2 177 887	1 797 149
	7 178 858	6 477 458
Housing rental		
Current (0 -30 days)	-	-
31 - 60 days	47 544	44 604
61 - 90 days	1 954	2 654
91 - 120 days	1 540	1 785
121 - 150 days	8 497	3 245
> 151 days	-	-
	59 535	52 288
VAT, interest and deposits		
Current (0 -30 days)	5 189 217	5 335 794
31 - 60 days	739 000	516 829
61 - 90 days	489 988	688 898
91 - 120 days	423 258	317 186
121 - 150 days	559 468	256 256
> 151 days	4 931 050	4 042 779
	12 331 981	11 157 742

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
4. Trade receivables from exchange transactions (continued)		
Summary of receivables by customer classification		
Households		
Current (0 -30 days)	31 414 626	20 089 848
31 - 60 days	2 690 015	2 314 315
61 - 90 days	2 030 995	1 535 967
91 - 120 days	1 578 837	1 151 415
121 - 150 days	1 380 493	897 084
> 151 days	18 331 502	12 409 474
	<u>57 426 468</u>	<u>38 398 103</u>
Less: Allowance for impairment	(17 698 978)	(10 026 518)
	<u>39 727 490</u>	<u>28 371 585</u>
Business		
Current (0 -30 days)	28 857 529	34 709 237
31 - 60 days	2 031 339	1 862 457
61 - 90 days	1 075 802	3 584 596
91 - 120 days	820 263	894 480
121 - 150 days	800 273	782 271
> 151 days	12 953 711	12 142 803
	<u>46 538 917</u>	<u>53 975 844</u>
Less: Allowance for impairment	(13 550 829)	(14 094 180)
	<u>32 988 088</u>	<u>39 881 664</u>
Government		
Current (0 -30 days)	1 826 850	2 119 897
31 - 60 days	730 874	722 692
61 - 90 days	586 442	444 271
91 - 120 days	545 249	371 548
121 - 150 days	417 507	281 682
> 151 days	3 869 367	3 167 334
	<u>7 976 289</u>	<u>7 107 424</u>
Less: Allowance for impairment	(2 484 241)	(1 855 891)
	<u>5 492 048</u>	<u>5 251 533</u>
Total		
Current (0 -30 days)	62 099 006	56 918 981
31 - 60 days	5 452 229	4 899 464
61 - 90 days	3 693 239	5 564 834
91 - 120 days	2 944 349	2 417 442
121 - 150 days	2 598 272	1 961 037
> 151 days	35 154 580	27 719 612
	<u>111 941 675</u>	<u>99 481 370</u>
Less: Allowance for impairment	(33 734 048)	(25 976 589)
	<u>78 207 627</u>	<u>73 504 781</u>
Total consumers past due and impaired		
Current (0 -30 days)	4 075 341	3 528 986
31 - 60 days	3 997 922	3 627 833
61 - 90 days	3 558 172	5 452 023
91 - 120 days	2 823 312	2 315 788
121 - 150 days	2 485 303	1 890 015
> 151 days	33 289 484	27 388 576
	<u>50 229 534</u>	<u>44 203 221</u>

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
4. Trade receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(25 976 589)	(22 234 479)
Contributions to allowance	(10 553 862)	(3 842 360)
Debt impairment written off against allowance	2 796 403	100 250
	<u>(33 734 048)</u>	<u>(25 976 589)</u>

None of trade receivables were pledged as security.

Trade receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2017 and 30 June 2016, all accounts past due were impaired.

As of 30 June 2017, trade receivables of R 50 29 534 (2016: R44 203 221) were impaired and provided for. This includes rates which is also separately disclosed in the receivables from non-exchange transactions note.

The amount of the provision was R 10 553 862 as of 30 June 2017 (2016: R 3 841 960).

5. Other receivables from exchange transactions

Accrued interest	17 622 326	14 677 996
Consumer debtors	1 686 002	1 251 924
Deposits	1 133 307	1 073 672
Dumping site levies	223 114	257 221
Main service contribution	6 366 921	4 895 891
Sundry receivables	1 973 890	2 850 633
Insurance	-	22 522
Leases	5 480 666	6 167 243
Impairment	(5 650 715)	(5 103 288)
	<u>28 835 511</u>	<u>26 093 814</u>

Other receivables pledged as security

None of other receivables were pledged as security.

Other receivables past due but not impaired

Other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2017 and 30 June 2016, all accounts past due were impaired.

Other receivables impaired

As of 30 June 2017, other receivables of R 6 598 432 (2016: R 6 692 211) were impaired and provided for.

The amount of the provision was R 588 332 as of 30 June 2017 (2016: R 703 563).

The ageing of these receivables is as follows:

0 to 3 months	1 016 758	-
3 to 6 months	3 895 672	2 847 158
Over 6 months	1 686 002	3 845 053

Reconciliation of provision for impairment of other receivables

Opening balance	(5 103 288)	(5 886 614)
Provision for impairment	(588 332)	703 563
Amounts written off as uncollectible	40 905	79 763
	<u>(5 650 715)</u>	<u>(5 103 288)</u>

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
6. Receivables from non-exchange transactions		
Traffic fines	50 904 835	38 282 560
Less: Allowance for impairment	(45 195 451)	(27 157 504)
	5 709 384	11 125 056

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2017 and 30 June 2016 all amounts past due were impaired.

Receivables from non-exchange transactions impaired

As at 30 June 2017, other receivables from non-exchange transactions of R 45 195 451 (2016: R 27 157 504) were impaired and provided for.

The amount of the provision was R 18 037 947 as of 30 June 2017 (2016: R 5 154 483).

Reconciliation of allowance for impairment

Opening balance	(27 157 504)	(22 003 021)
Provision for impairment	(18 037 947)	(5 154 483)
	(45 195 451)	(27 157 504)

7. VAT receivable

VAT	6 441 569	6 070 158
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The municipality is registered for VAT on the payment basis.

8. Operating lease asset

Current assets	262 158	2 292 990
Minimum lease income		
- within one year	10 960 011	9 831 803
- second to fifth year	47 223 964	822 467
- after five years	55 788	196 129
	58 239 763	10 850 399

1. Izimbiwa Coal Pty Ltd - Lease of Farms in Middelburg.

The contract expires on 31 March 2022. The contract escalates annually at 6%.

Actual income levied 2016/2017

R806 481

Expected levy income 2017/2018

R11 510 975

Annual straightlining

R152 769

2. Optimum Coal Mine (PTY) LTD - Rental of the remainder of portion 27 of the Farm Middelburg Town and Townlands 287 JS.

The contract expires on 31 March 2018. The contract escalates annually with 10%.

Actual income levied 2016/2017

R92 928

Expected levy income 2017/2018

R68 318

Annual straightlining

R8 347

3. Brand House Media: Erection and maintenance of advertising billboards in Mhluzi.

The contract expires on 31 March 2024. The contract escalates annually with 7.5%

Actual income levied 2016/2017

R42 579.69

Expected levy income 2017/2018

R52 832.95

Annual straightlining

R26 965.46

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
8. Operating lease asset (continued)		
4. Phola Coaches: Rental of the remainder of portion 27 of the Farm Middelburg Town and Townlands 287 JS. The contract expires on 31 October 2019. The contract escalates annually with 8%.		
Actual income levied 2016/2017	R49 400.00	
Expected levy income 2017/2018	R82 324.38	
Annual straightlining	R5 482.92	
5. Mayivhuthu Contractors: Rental of a portion of Erf 3131 Mhluzi for car wash purposes. The contract expires on 1 May 2019. The contract escalates annually with 10%.		
Actual income levied 2016/2017	R57 895	
Expected levy income 2017/2018	R62 909	
Annual straightlining	R6 728	
6. Mpumalanga Mental Health Society: Rental of a portion of the office building on Erf 11848 Mhluzi Extension 7. The contract expires on 31 March 2019. The contract escalates annually with 10%.		
Actual income levied 2016/2017	R45 144.00	
Expected levy income 2017/2018	R48 676.86	
Annual straightlining	R5 442.08	
9. Inventories		
Land	152 693 595	151 842 159
RDP houses	128 952	128 952
Consumable stores	15 619 825	17 246 909
Water	357 435	457 260
	168 799 807	169 675 280
9.1 Inventory shortages and surpluses		
Inventory shortages written off during the year	(15 799)	(109 379)
Inventory surpluses for the year	9 166	85 458
	(6 633)	(23 921)
Inventories to the total amount of R14 286 (2016: R5 538 524) was written down to net realisable value.		
Inventory pledged as security		
During the year no inventory was pledged as security.		
10. Investments		
At amortised cost		
ABSA Bank	108 000 000	97 000 000
First National Bank	72 000 000	72 000 000
Investec Bank	72 000 000	72 000 000
Nedbank	108 000 000	97 000 000
Standard Bank	72 000 000	97 000 000
Investec Call Account	50 000 000	50 000 000
	482 000 000	485 000 000

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Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
11. Long term receivables		
At amortised cost		
Sale of erven	37 657	62 927
Loans were given at a low interest rate of 7.5% per annum to encourage development through the sale of vacant land. In terms of the MFMA no new loans are granted. The remaining repayment terms is less than 12 months.		
Non-current assets		
At amortised cost	-	21 239
Current assets		
At amortised cost	37 657	41 688

12. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Property - land	26 006 538	-	26 006 538	25 950 913	-	25 950 913

Reconciliation of investment property - 2017

	Opening balance	Transfers from inventory	Total
Property - land	25 950 913	55 625	26 006 538

Reconciliation of investment property - 2016

	Opening balance	Transfers from property, plant and equipment	Total
Property - land	25 932 208	18 705	25 950 913

Pledged as security

None of the above investment property has been pledged as security.

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

Details of valuation

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

13. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	313 641 410	(117 206 012)	196 435 398	309 868 340	(109 739 641)	200 128 699
Community	765 294 502	(263 096 432)	502 198 070	745 621 745	(246 222 830)	499 398 915
Housing - property purchased previously from housing development fund	2 268 618	(1 705 657)	562 961	6 742 664	(4 960 000)	1 782 664
Infrastructure	5 723 753 437	(2 778 673 825)	2 945 079 612	5 502 309 894	(2 664 315 859)	2 837 994 035
Land	2 427 853 190	-	2 427 853 190	2 397 585 938	-	2 397 585 938
Other property, plant and equipment	317 446 790	(180 769 821)	136 676 969	273 182 069	(162 277 315)	110 904 754
Total	9 550 257 947	(3 341 451 747)	6 208 806 200	9 235 310 650	(3 187 515 645)	6 047 795 005

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers to/from inventory	Depreciation	Impairment loss	Total
Buildings	200 128 699	3 773 070	-	-	(7 321 428)	(144 943)	196 435 398
Community	499 398 917	19 674 527	(147)	-	(15 830 828)	(1 044 397)	502 198 072
Housing - property purchased previously from housing development fund	1 782 664	-	(1 139 606)	-	(80 096)	-	562 962
Infrastructure	2 837 994 038	221 443 543	-	-	(110 839 421)	(3 518 546)	2 945 079 614
Land	2 397 585 937	36 380 349	(2 617 556)	(3 495 540)	-	-	2 427 853 190
Other property, plant and equipment	110 904 750	44 597 678	(109 711)	-	(16 391 892)	(2 323 860)	136 676 965
	6 047 795 005	325 869 167	(3 867 020)	(3 495 540)	(150 463 665)	(7 031 746)	6 208 806 201

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers to/from inventory	Depreciation	Impairment loss	Total
Buildings	198 671 769	8 537 851	-	-	(6 990 844)	(90 077)	200 128 699
Community	505 033 136	11 557 371	(1 936)	-	(15 835 576)	(1 354 078)	499 398 917
Housing - property purchased previously from housing development fund	1 922 264	-	-	-	(139 600)	-	1 782 664
Infrastructure	2 746 831 644	208 323 365	-	-	(107 177 409)	(9 983 563)	2 837 994 037
Land	2 398 002 045	20 280 350	(1 716 429)	(18 980 029)	-	-	2 397 585 937
Other property, plant and equipment	102 240 092	27 748 556	(553 601)	-	(16 980 014)	(1 550 282)	110 904 751
	5 952 700 950	276 447 493	(2 271 966)	(18 980 029)	(147 123 443)	(12 978 000)	6 047 795 005

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
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13. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	94 009 847	318 650	4 839 206	99 167 703
Additions/capital expenditure	60 365 336	1 005 138	1 128 145	62 498 619
Transferred to completed items	(46 318 770)	(318 650)	(3 068 492)	(49 705 912)
	108 056 413	1 005 138	2 898 859	111 960 410

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	110 871 813	460 902	1 782 613	113 115 328
Additions/capital expenditure	66 245 194	318 650	3 076 071	69 639 915
Transferred to completed items	(83 107 160)	(460 902)	(19 478)	(83 587 540)
	94 009 847	318 650	4 839 206	99 167 703

Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	14 100 303	4 204 529
Sale of goods/Inventory	13 235 503	12 468 975
General expenses	42 583 132	46 553 397
	69 918 938	63 226 901

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.

14. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	13 737 669	(6 381 057)	7 356 612	7 266 341	(5 981 605)	1 284 736

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 284 736	6 488 478	(487)	(416 114)	7 356 613

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	1 895 644	(610 908)	1 284 736

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
14. Intangible assets (continued)		
Pledged as security		
None of the above intangible assets have been pledged as security.		
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.		
Repairs and maintenance incurred for intangible assets for 2017: R4 528 836 (2016: R4 772 942).		
15. Payables from exchange transactions		
Trade payables	92 302 735	92 755 531
Consumer receivables paid in advance	6 973 540	6 827 040
Pre-paid meter sales in advance	5 276 200	3 667 552
Retentions payable	28 718 282	24 610 553
Staff leave	27 040 024	25 877 249
Sundry receivables paid in advance	727 537	584 476
Third party pre-paid sales in advance	6 579 262	2 980 639
Other payables	749 155	1 103 725
	168 366 735	158 406 765
16. Payables from non exchange transactions		
Housing accreditation grant	903 874	1 091 332
Informal housing grant (RDP)	139 415	139 415
Payable to National Treasury	-	1 045 593
Other government grants	272 209	272 209
Department of Human Settlement	785 908	4 247 961
	2 101 406	6 796 510
17. Consumer deposits		
Electricity and water	67 036 745	62 500 256
Sundry	22 221 012	19 386 251
	89 257 757	81 886 507

No interest is paid on deposits.

Guarantees hold in lieu of electricity and water deposits for 2017: R7 395 639 (2016: R7 108 889).

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
18. Finance lease obligation		
Minimum lease payments due		
- within one year	1 597 980	110 033
- in second to fifth year inclusive	5 459 765	-
	7 057 745	110 033
less: future finance charges	(1 429 669)	(3 228)
Present value of minimum lease payments	5 628 076	106 805
Present value of minimum lease payments due		
- within one year	1 056 937	106 805
- in second to fifth year inclusive	4 571 138	-
	5 628 075	106 805
Non-current liabilities	4 571 138	-
Current liabilities	1 056 937	106 805
	5 628 075	106 805

It is the municipality policy to lease photocopiers under finance leases. During the period under review the municipality entered into a lease agreement with Nashua for 51 machines for a period of 5 years. An effective borrowing rate of 10.5% was used for valuation of finance lease obligation.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Informal housing grant (RDP)	1 993 207	1 993 207
Expanded Public Works Programme	33 416	-
Integrated national electricity programme	-	3 351 698
	2 026 623	5 344 905

See note 30 for reconciliation of grants from National/Provincial Government.

20. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	18 604 697	6 643 174	-	25 247 871
Performance bonus	1 031 576	1 021 805	(1 031 575)	1 021 806
Church erven	497 010	87 719	(334 690)	250 039
	20 133 283	7 752 698	(1 366 265)	26 519 716

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	14 817 363	3 787 334	-	18 604 697
Performance bonus	2 088 843	1 031 586	(2 088 853)	1 031 576
Church erven	434 050	162 320	(99 360)	497 010
	17 340 256	4 981 240	(2 188 213)	20 133 283

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
20. Provisions (continued)		
Non-current liabilities	25 000 895	18 767 012
Current liabilities	1 518 821	1 366 271
	26 519 716	20 133 283

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is the Middelburg landfill site. The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions CC. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Professions as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of the Institute of Municipal Finance Officers.

Key financial assumptions used in this calculation were a CPI of 5.64%, a discount rate of 8.14% and therefore a net effective discount rate of 2.5%.

The 2017 discounted value of the landfill closure provision of R25 247 870 represents an increase of R6 643 173 compared to the provision of R18 604 697 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R1 573 288.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2017. The size of the Middelburg landfill site used up until now is approximately 89.79 ha. The remaining life of the landfill is estimated at 7 years.

Performance bonus

The provision is to provide for performance bonuses of the section 57 employees and other senior managers where applicable.

The provision is calculated at 14% of the total remuneration in terms of the performance agreements at reporting date which is usually within one year.

Church erven

The provision on church erven is for the obligation the municipality has to pay 25% of the purchase price back to the church once the property is fully developed within the period specified on the deed of sale. The provision is evaluated at year-end to reflect the best estimate at reporting date.

21. Long term liabilities

At amortised cost

Infrastructure Finance Corporation	17 343 026	19 939 438
Interest at 9.59% redeemable on 30/06/2022		
Infrastructure Finance Corporation	19 763 484	22 132 443
Interest at 9.29% redeemable on 30/06/2023		
Infrastructure Finance Corporation	21 977 313	24 149 782
Interest at 9.02% redeemable on 30/06/2024		
First National Bank	7 682 075	10 878 498
Interest at 12.50% redeemable on 30/06/2019		
	66 765 898	77 100 161
Total other financial liabilities	66 765 898	77 100 161
Non-current liabilities		
At amortised cost	55 323 355	66 765 898
Current liabilities		
At amortised cost	11 442 543	10 334 263

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	2017 R	2016 R
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22. Long service award

Long service benefits are awarded in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2017.

Changes in the present value of the long service liability is:

Opening balance	17 689 533	15 665 416
Current service cost	2 019 044	1 837 316
Interest cost	1 541 473	1 229 559
Benefits vested	(1 540 021)	(1 170 704)
Actuarial (gain)/loss	(1 115 400)	127 946
	<u>18 594 629</u>	<u>17 689 533</u>
Current liability	1 651 000	1 830 099
Non-current liability	16 943 629	15 859 434
	<u>18 594 629</u>	<u>17 689 533</u>

Defined benefit obligation	2017 <u>18 594 629</u>	2016 <u>17 689 533</u>	2015 <u>15 665 416</u>	2014 <u>16 746 000</u>	2013 <u>13 740 077</u>
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Assumptions used at the reporting date:

Discount rates used	8,92 %	8,60 %
Normal salary increase rate	6,72 %	7,25 %
Net discount rate	2,05 %	1,26 %

23. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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

The municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement, provided they are members of the municipal accredited medical aid schemes. All existing continuation members (pensioners) and their dependants will continue to receive either a 60% or 70% subsidy depending on when they retired. This subsidy is subject to the maximum amount of R3 871 (per month per member) for the period from 1 July 2016 to 30 June 2017.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation	<u>(90 849 060)</u>	<u>(83 610 781)</u>
Non-current liabilities	(87 625 060)	(81 109 921)
Current liabilities	(3 224 000)	(2 500 860)
	<u>(90 849 060)</u>	<u>(83 610 781)</u>

Changes in the present value of the employee benefit obligation are as follows:

Opening balance	83 610 780	73 395 987
Benefits paid	(3 159 812)	(2 441 268)
Net expense recognised in the statement of financial performance	10 398 091	12 656 061
	<u>90 849 059</u>	<u>83 610 780</u>

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
23. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	4 951 442	3 890 847
Interest cost	7 907 942	6 504 570
Actuarial (gains) losses	(2 461 293)	2 260 644
	10 398 091	12 656 061

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,66 %	9,36 %
Consumer inflation	6,53 %	6,91 %
Medical cost trend rates	8,03 %	8,41 %
Net effective discount rate	1,50 %	0,88 %
Average retirement age	63	63

Other assumptions

Valuation results are sensitive to changes in the underlying assumptions. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Healthcare inflation - effect on the aggregate of the service cost and interest cost	-	10 832 800
Healthcare inflation - effect on defined benefit obligation	105 631 000	87 076 000
Discount rate - effect on the aggregate of the service cost and interest cost	-	9 468 000
Discount rate - effect on defined benefit obligation	79 035 000	72 391 000

Amounts for the current and previous four years are as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Post-retirement medical aid benefit	90 849 059	83 610 780	73 395 987	70 425 000	69 623 708

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits. During the year the contributions expensed for the year amounted to R45 895 937 (2016: R42 147 770).

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Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
24. Financial instruments disclosure		
Categories of financial instruments		
2017		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	78 207 626	78 207 626
Cash and cash equivalents	83 901 579	83 901 579
Other receivables from exchange	28 835 511	28 835 511
Receivables from non-exchange transactions	5 709 384	5 709 384
Investments	482 000 000	482 000 000
Long term receivables	37 657	37 657
	678 691 757	678 691 757
Financial liabilities		
	At amortised cost	Total
Finance lease obligation	5 628 075	5 628 075
Long term liability	66 765 898	66 765 898
Payables from non-exchange transactions	2 101 406	2 101 406
Payables from exchange transactions	168 366 735	168 366 735
Consumer deposits	89 257 757	89 257 757
	332 119 871	332 119 871

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
Financial instruments disclosure (continued)		
2016		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	73 504 781	73 504 781
Cash and cash equivalents	80 463 242	80 463 242
Other receivables from exchange	86 093 814	86 093 814
Other receivables from non-exchange transactions	11 125 056	11 125 056
Investments	485 000 000	485 000 000
Long term receivables	41 688	41 688
	736 228 581	736 228 581
Financial liabilities		
	At amortised cost	Total
Finance lease obligation	106 805	106 805
Long term liability	77 100 161	77 100 161
Payables from non-exchange transactions	6 796 510	6 796 510
Consumer deposits	81 886 507	81 886 507
Payables from exchange transactions	158 406 765	158 406 765
	324 296 748	324 296 748
25. Service charges		
Sale of electricity	529 484 025	494 167 488
Sale of water	77 008 479	76 267 240
Sewerage and sanitation charges	55 616 239	51 911 965
Refuse removal	61 722 420	57 735 007
	723 831 163	680 081 700
26. Interest received - trading		
Property rates	1 488 322	1 106 923
Services	1 602 331	1 237 855
Sundry receivables	334 535	515 262
	3 425 188	2 860 040
27. Investment revenue		
Interest revenue		
Bank	16 179 375	10 889 896
Short term investments	31 688 511	29 669 689
	47 867 886	40 559 585

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R47 867 886 (2016: R40 559 585).

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
28. Other income		
Administration fees	2 693 761	2 749 005
Building plan fees	1 380 405	1 356 762
Cemetery fees	728 210	450 567
Community service fees	707 538	697 426
Connection fees	5 397 987	5 361 912
Dumping site fees	1 365 769	1 361 033
ESKOM servitudes	-	1 275 365
Entrance fees	347 729	452 838
Insurance claims	1 399 043	1 291 212
Internal fees	8 064	30 424
Main service contribution	5 421 598	7 398 316
Meter testing fees and calls	4 843	-
Option fee	286 446	273 171
Legal fees recovered	1 396 712	-
VAT recovery	549 530	-
Recovery of purification costs	134 855	360 589
Sale of erven	4 572 434	8 120 254
Sale of material and supplies	98 873	90 834
Skills development fund refund	308 085	828 579
Sundry income	993 029	818 771
Tender documents	459 109	404 784
Thuthuka business rescue	-	167 607
	28 254 020	33 489 449
29. Property rates		
Rates received		
Commercial	132 734 387	123 796 592
Government	17 508 813	16 639 274
Privately owned towns	959 528	910 858
Residential	158 550 902	149 695 643
	309 753 630	291 042 367
Valuations		
Commercial	4 922 181 200	4 828 000 600
Government	983 005 000	983 005 000
Privately owned towns	178 996 000	179 974 000
Residential	17 368 172 183	17 131 294 683
Other	5 028 044 450	4 932 923 400
	18 480 398 833	18 055 197 683

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 01 July 2018.

A general rate of R0.12 (2016: R0.011) is applied to property valuations to determine assessment rates.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
30. Government grants and subsidies		
Operating grants		
Equitable share	136 037 000	119 935 000
Expanded public works programme	966 614	955 803
Finance management grant	1 625 000	1 524 739
Municipal accreditation fund (MACEF)	87 458	252 634
Municipal infrastructure grant	2 406 989	1 777 490
Municipal systems improvement grant	-	940 000
	141 123 061	125 385 666
Capital grants		
Expanded public works programme	1 102 970	599 006
Integrated national electricity grant	3 351 698	12 048 302
Municipal infrastructure grant	45 050 011	44 411 879
Municipal accreditation fund (MACEF)	100 000	-
	49 604 679	57 059 187
	190 727 740	182 444 853

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 437 (2016: R 424), which is funded from the grant. The grant is unconditional.

Finance management grant (FMG)

Current-year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 524 743)
Payable to National Treasury	-	(75 257)
	-	-

The purpose of this grant is to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003 and to fund the internship programme.

Municipal systems improvement grant (MSIG)

Current-year receipts	-	940 000
Conditions met - transferred to revenue	-	(940 000)
	-	-

The purpose of this grant is to build in-house capacity to perform their functions and stabilise institutional and governance systems.

Municipal infrastructure grant (MIG)

Current-year receipts	47 457 000	48 094 000
Conditions met - transferred to revenue	(47 457 000)	(46 189 369)
Capitalised in previous year	-	(962 490)
Payable to National Treasury	-	(942 141)
	-	-

The purpose of this grant is to construct basic municipal infrastructure to provide basic services for the benefit of poor households.

Integrated national electrification programme (INEP)

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
30. Government grants and subsidies (continued)		
Balance unspent at beginning of year	3 351 698	-
Current-year receipts	-	15 400 000
Conditions met - transferred to revenue	(3 351 698)	(12 048 302)
	<u>-</u>	<u>3 351 698</u>

This grant is used to address the electrification backlog of permanently occupied residential dwellings the conditions of the grant were met and no funds have been withheld.

Informal housing grant (RDP)

Balance unspent at beginning of year	<u>1 993 207</u>	<u>1 993 207</u>
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Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant was to provide low cost housing.

Expanded public works programme (EPWP)

Current-year receipts	2 103 000	1 583 000
Conditions met - transferred to revenue	(2 069 584)	(1 554 809)
Payable to National Treasury	-	(28 191)
	<u>33 416</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

The purpose of this grant is to effect a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
31. Public contributions and donations		
Developer donations	3 958 203	960 000
Glencore Mine	18 000	-
Government donations	34 620 000	21 200 000
Nkangala district municipality	39 526 644	38 975 026
Donation Mafube Colliery	3 414 938	-
BHP Billiton - donation of open space	311 000	-
Arbour city award	250 000	-
	82 098 785	61 135 026
Major classes: Capital		
Community assets - crafter stals	-	1 272 292
Computers - hardware equipment	758 000	-
Infrastructure - electricity	2 607 135	-
Infrastructure - roads	5 114 917	5 662 977
Infrastructure - sanitation	14 175 001	-
Infrastructure - water	14 986 726	25 972 510
Other land	36 282 068	16 660 000
Specialised vehicles - fire	-	6 067 247
Transfer stations	-	5 500 000
Specialised vehicles - refuse	4 500 000	-
Community halls	3 414 938	-
	81 838 785	61 135 026
Major classes: Operational		
Youth Function	10 000	-
Greening of environment	250 000	-
	260 000	-

Steve Tshwete Local Municipality

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	2017 R	2016 R
32. Employee related costs		
Cellphone allowances	663 042	601 119
Group insurance	1 264 016	1 149 852
Housing benefits and allowances	4 579 148	4 406 922
Medical aid - company contributions	21 831 390	18 472 658
Current service cost	6 970 486	-
Overtime payments	74 400 890	58 615 753
Pension fund contributions	45 895 937	42 147 770
Salaries	257 468 424	233 707 212
UIF	2 366 188	2 134 027
WCA	2 107 113	2 069 830
	417 546 634	363 305 143

Municipal Manager: SM Mnguni (acting)

Annual remuneration	1 353 321	986 954
Cellphone allowance	26 411	24 916
Contributions to UIF, medical and pension funds	28 423	25 189
Performance bonus	-	253 453
Travel allowance	132 000	168 859
Other	4 747	4 294
	1 544 902	1 463 665

Appointed 01 March 2014 until 28 February 2018 (acting as municipal manager from 1 February 2015).

Executive Director Finance Services: E Wassermann

Annual remuneration	1 038 794	964 135
Cellphone allowance	26 404	24 910
Contributions to UIF, medical and pension funds	78 309	69 810
Performance bonus	-	455 299
Travel allowance	108 000	110 169
Other	4 923	4 731
	1 256 430	1 629 054

Appointed from 01 March 2012 until 28 February 2017.

Executive Manager Community Services: MC Hlatshwayo

Annual remuneration	1 074 468	994 948
Cellphone allowance	26 411	24 916
Contributions to UIF, medical and pension funds	30 725	27 302
Performance bonus	-	168 484
Travel allowance	120 000	120 278
Other	4 833	4 647
	1 256 437	1 340 575

Appointed from 01 March 2013 until 28 February 2018.

Executive Manager Infrastructure Services: NB Thobela

Annual remuneration	-	453 496
Cellphone allowance	-	10 991
Contributions to UIF, medical and pension funds	-	12 368
Performance bonus	-	85 705
Travel allowance	-	107 626
Other	-	44

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
32. Employee related costs (continued)		
	<u>-</u>	<u>670 230</u>

Employment started 01 July 2014 until 31 December 2015.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council's determinations.

33. Remuneration of councillors

Councillor whip	676 276	614 764
Councillors	13 840 366	13 320 611
Executive mayor	804 685	811 529
Mayoral committee members	3 683 600	3 688 584
Speaker	583 922	654 115
	<u>19 588 849</u>	<u>19 089 603</u>

Councillors remuneration is made up of the following:

Councillors remuneration	12 319 253	12 131 687
Cell phone and other allowances	1 539 955	1 415 488
Medical aid contributions	393 922	509 703
Pension contributions	1 149 184	683 820
Travel allowance	4 186 535	4 348 905
	<u>19 588 849</u>	<u>19 089 603</u>

In-kind benefits

The executive mayor, chief whip, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council. The executive mayor has use of a council owned vehicle and driver for official duties. The executive mayor has a personal assistant to assist him in his duties.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

					2017 R	2016 R
33. Remuneration of councillors (continued)						
2017	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive mayor	464 843	177 043	65 533	64 866	32 400	804 685
MAS Masina						
Speaker AM Mabena	361 209	124 995	52 825	15 785	29 108	583 922
Chief whip SD Nkadameng	376 573	133 141	48 290	25 029	26 400	609 433
Chief whip BP Ndala	38 772	15 868	4 326	5 038	2 839	66 843
	1 241 397	451 047	170 974	110 718	90 747	2 064 883
Mayoral committee	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr MI Kgalema	338 031	117 273	49 375	15 785	23 769	544 233
Cllr DJ Motsepe	379 393	133 141	45 790	22 722	26 400	607 446
Cllr SM Mapeleng	373 730	125 785	53 634	-	26 400	579 549
Cllr MTE Mnguni	354 154	125 457	51 297	19 152	26 400	576 460
Cllr EP Nkosi	37 597	15 868	4 165	7 181	2 631	67 442
Cllr J Matshiane	391 132	122 215	8 920	15 785	26 400	564 452
Cllr JM Mitchell	331 533	117 273	43 080	26 396	23 769	542 051
Cllr NJ Mahlangu	39 745	15 868	4 216	6 512	2 839	69 180
Cllr EF Mathebula	41 535	15 868	4 704	-	2 839	64 946
Cllr H Pilodia	39 823	15 868	4 330	4 981	2 839	67 841
	2 326 673	804 616	269 511	118 514	164 286	3 683 600
Part time councillors	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr LK Mahlangu	149 231	49 909	21 627	-	23 561	244 328
Cllr RG Mamogale	137 463	49 909	19 553	13 887	23 561	244 373
Cllr AB Marumo	170 287	49 909	-	-	23 561	243 757
Cllr TP Mnisi	149 230	49 908	21 627	-	23 561	244 326
Cllr TS Motloung	151 401	50 334	24 553	-	23 561	249 849
Cllr ET Motsepe	149 231	49 909	21 627	-	23 561	244 328
Cllr DJ Skhosana	172 489	56 541	17 695	-	26 400	273 125
Cllr J Skosana	190 184	56 541	-	-	26 400	273 125
Cllr AM Mahlangu	149 231	49 909	21 627	-	23 561	244 328
Cllr MN Mathibela	174 455	56 541	15 729	-	26 400	273 125
Cllr TP Motau	149 230	49 909	21 627	-	23 561	244 327
Cllr DL Paul	149 231	49 909	21 627	-	23 561	244 328
Cllr MM Skosana	170 287	49 909	-	-	23 561	243 757
Cllr RM Xaba	167 410	66 987	21 955	31 262	26 400	314 014
Cllr LJN Zondo	149 231	49 909	21 627	-	23 561	244 328
Cllr EM Bruiners	170 287	49 909	-	-	23 561	243 757
Cllr E Du Toit	166 591	56 541	23 593	-	26 400	273 125
Cllr J Dyason	190 184	56 541	-	-	26 400	273 125
Cllr AS Grobler	161 451	61 681	23 593	-	26 400	273 125
Cllr P Mobongo	165 227	56 541	-	24 957	26 400	273 125
Cllr SM Mogola	183 677	56 541	-	6 507	26 400	273 125
Cllr HF Niemann	161 451	61 681	23 593	-	26 400	273 125
Cllr KJ Phasha	149 231	49 909	21 627	-	23 561	244 328

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Annual Financial Statements for the year ended 30 June 2017

					2017 R	2016 R
33. Remuneration of councillors (continued)						
Cllr JP Pretorius	161 451	61 682	23 593	-	26 400	273 126
Cllr GHE Romijn	185 044	61 682	-	-	26 400	273 126
Cllr SJ Roos	185 044	61 681	-	-	26 400	273 125
Cllr P Sithole	173 636	61 681	-	10 131	26 400	271 848
Cllr HG De Klerk	165 147	55 049	-	-	23 561	243 757
Cllr A Struwig	187 100	59 625	-	-	26 400	273 125
Cllr DA Stuurman	170 287	49 909	-	-	23 561	243 757
Cllr TN Van Zyl	190 184	56 541	-	-	26 400	273 125
Cllr S Wait	185 044	61 681	-	-	26 400	273 125
Cllr JP Duvenage	144 090	55 049	21 627	-	23 561	244 327
Cllr KPJ Uys	166 591	56 541	23 593	-	26 400	273 125
Cllr P Mailola	149 231	49 909	21 627	-	23 561	244 328
Cllr A	149 231	49 909	21 627	-	23 561	244 328
Mangcotywa						
Cllr M Hadebe	165 147	55 049	-	-	23 561	243 757
Cllr CM Mosoma	144 090	55 049	21 627	-	23 561	244 327
Cllr JN	144 090	55 049	21 627	-	23 561	244 327
Mthombeni						
Cllr E Sebesho	144 090	55 049	21 627	-	23 561	244 327
Cllr M J	170 286	49 909	-	-	23 561	243 756
Sekgwele						
Cllr DS Khanyile	19 897	6 632	-	-	2 839	29 368
Cllr NJ Mlambo	19 897	6 632	-	-	2 839	29 368
Cllr ZD Mtshweni	19 897	6 632	-	-	2 839	29 368
Cllr DM Longman	19 897	6 632	-	-	2 839	29 368
Cllr TR	19 897	6 632	-	-	2 839	29 368
Langeveld						
Cllr GZ	19 897	6 632	-	-	2 839	29 368
Msimango						
Cllr PJ Masilela	19 897	6 632	-	-	2 839	29 368
Cllr L I Manzini	17 505	6 632	1 890	-	2 839	28 866
Cllr K N	14 347	6 632	1 459	5 759	2 839	31 036
Monareng						
Cllr L E Mkhuma	19 897	6 632	-	-	2 839	29 368
Cllr P P Tau	26 530	-	-	-	2 839	29 369
Cllr M R Mnguni	13 218	6 632	1 364	7 020	2 839	31 073
Cllr S S Zitha	19 897	6 632	-	-	2 839	29 368
Cllr B C Skosana	19 897	6 632	-	-	2 839	29 368
Cllr EA Jele	19 897	6 632	-	-	2 839	29 368
Cllr T B	19 897	6 632	-	-	2 839	29 368
Mahlangu						
Cllr M E Nyambi	19 897	6 632	-	-	2 839	29 368
Cllr P M	15 615	6 632	-	6 638	2 839	31 724
Shongwe						
	7 052 349	2 359 165	524 941	106 161	1 068 205	11 110 821
Chairpersons	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr M Mbatwa	188 119	68 192	24 047	18 797	26 400	325 555
Cllr P M Masilela	175 419	61 560	24 951	-	23 561	285 491
Cllr M Masina	184 996	61 560	26 641	-	23 561	296 758
Cllr NC Mkhuma	176 035	61 306	25 080	9 761	23 400	295 582
Cllr T R Vilakazi	184 996	61 560	26 641	11 267	23 561	308 025
Cllr MJ Sekgwele	228 440	68 192	2 523	-	26 400	325 555
Cllr M Mphego	184 996	61 560	26 641	-	23 561	296 758
Cllr TN Morufane	215 076	68 192	22 611	-	26 400	332 279
Cllr P H Hadebe	22 465	8 512	2 426	-	2 839	36 242
Cllr S A Lukhele	25 535	8 512	-	-	2 839	36 886
Cllr O Malinga	25 535	8 512	-	-	2 839	36 886
Cllr M S Motebu	22 947	8 512	-	4 011	2 839	38 309

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					2017 R	2016 R
33. Remuneration of councillors (continued)						
Cllr M J Selala	22 136	8 512	-	5 269	2 839	38 756
Cllr M T Selala	21 396	8 512	-	6 415	2 839	39 162
Cllr P I Thwala	20 748	8 512	2 200	3 012	2 839	37 311
	1 698 839	571 706	183 761	58 532	216 717	2 729 555
34. Depreciation and amortisation						
Property, plant and equipment					150 463 665	147 123 443
Intangible assets					416 114	610 908
					150 879 779	147 734 351
35. Impairment of assets						
Impairments						
Property, plant and equipment					7 031 746	12 978 003
During the year assets which were vandalised or replaced and no longer in use were impaired. These assets remaining service potential to the municipality is R0.						
36. Finance costs						
Annuity loans					7 249 011	8 372 957
Finance leases					368 260	18 140
Interest cost: landfill site					1 573 288	945 437
Interest cost: actuarial valuation					9 449 415	-
					18 639 974	9 336 534
Total interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 9% and 13% (2016: 9% to 13%).						
37. Debt impairment						
Contributions to allowance for impairment					29 180 141	8 293 281
38. Bulk purchases						
Electricity					397 799 025	366 708 718
Water					12 954 800	12 909 378
					410 753 825	379 618 096
Distribution losses incurred on water and electricity:						
2017						% loss
Electricity						10,35 %
Water						25,83 %
2016						% loss
Electricity						8,59 %
Water						28,79 %

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	2017 R	2016 R
39. Contracted services		
Commission fees	8 988 806	8 950 751
Garden waste removal services	9 949 540	8 396 334
Other contractors	10 376 666	10 689 808
Security services	13 339 870	10 549 898
	42 654 882	38 586 791
40. Grants and subsidies paid		
Business linkage centre	320 000	300 000
Forever resorts marathon	40 000	30 000
Free basic services	4 200 573	3 638 820
Rotary, schools and other	303 000	253 000
Society for the prevention of cruelty to animals (SPCA)	750 000	650 000
Tourism information centre	350 000	330 000
	5 963 573	5 201 820
41. General expenses		
Advertising and publicity	5 936 634	5 056 210
Auditors remuneration	4 135 664	4 111 626
Bank charges	2 732 292	2 345 488
Eviction expenses	909 650	124 790
Consulting fees	9 405 643	7 452 457
Corporate expenditure	4 600 403	8 630 498
Deed search	470 064	175 512
EPWP programmes	966 614	955 803
Entertainment	3 427 398	2 897 605
Eskom connection fees	-	89 358
Fuel and oil	13 658 114	12 402 795
Hire of equipment	2 504 622	2 315 454
Insurance	7 220 428	5 873 091
Inventory expensed	2 830 259	3 015 502
Legal fees	4 168 470	3 310 362
Licensing fees	6 399 722	5 431 599
Loss of inventory	15 799	137 725
Magazines, books and periodicals	177 767	193 999
Materials and supplies	8 241 283	8 937 321
Medical expenses	460 916	311 999
Occupational health and safety	305 629	304 633
Postage and courier	2 540 924	2 308 884
Printing and stationery	3 737 969	3 860 153
Skills development levies	3 718 214	3 311 049
Staff development cost	3 531 986	3 631 174
Staff welfare	306 415	522 281
Subscriptions and membership fees	4 349 222	4 201 373
Telephone and connectivity	4 471 022	4 449 754
Travel and accommodation	15 354 318	13 626 642
Uniforms	3 099 951	2 768 705
Virtual storage	465 858	355 388
Ward committee expenses	2 265 842	3 709 418
Write down of inventory to net realisable value	14 286	5 538 524
	122 423 378	122 357 172
42. Auditors' remuneration		
Fees	4 135 664	4 111 626

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	2017 R	2016 R
43. Cash generated from operations		
Surplus	148 017 086	161 537 168
Adjustments for:		
Depreciation and amortisation	150 879 779	147 734 351
Gain (loss) on sale of assets and liabilities	903 912	(289 806)
Inventory write down	14 826	5 538 524
Impairment deficit	7 031 746	12 978 003
Debt impairment	29 180 141	8 293 281
Interest cost: Acturial	11 022 703	945 437
Movements in retirement benefit assets and liabilities	(669 663)	10 214 794
Provision - long service	(636 377)	2 024 117
Public donations	(81 838 785)	(61 135 026)
Provision - landfill site and other	4 813 145	1 847 590
Movement in operating lease asset	2 030 832	28 757
Changes in working capital:		
Inventories	4 356 187	3 883 333
Other receivables from exchange transactions	4 827 340	(13 329 754)
Trade receivables from exchange transactions	(15 256 707)	(16 814 072)
Receivables from non-exchange transactions	(20 779 644)	656 990
Payables from exchange transactions	9 953 975	(25 992 011)
VAT	(371 411)	25 222 829
Payables from non-exchange transactions	(4 695 104)	4 465 653
Unspent conditional grants and receipts	(3 318 282)	3 351 698
Consumer deposits	7 371 250	9 934 301
	252 836 949	281 096 157
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Community assets	9 387 745	939 523
• Infrastructure	48 857 648	57 149 629
• Intangible assets	1 483 398	-
• Other assets	10 975 636	3 544 618
• Specialised vehicles	2 807 714	8 956 571
• Land and buildings	1 692 012	1 569 878
	75 204 153	72 160 219
Total commitments		
Total commitments		
Authorised capital expenditure	75 204 153	72 160 220
This expenditure will be financed from:		
Capital replacement reserve	15 231 938	16 448 220
External loans	36 823 278	51 442 038
Government grants	14 453 374	4 269 962
Surplus cash	8 695 563	-
	75 204 153	72 160 220

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45. Contingencies

1. MM Selela on behalf of Phillip Selela - claim in the amount of R175 000 for damages against the municipality for the injury to his child as a result of loose paving.
2. TAC Wesson - claim in the amount of R100 000 for unlawful arrest in a traffic related incident.
3. ABSA Technology Finance Solution (Pty) Ltd - claim in the amount of R22 000 as the sum owing at the date of termination of the master rental agreement.
4. Steven Mahlangu - claim in the amount of R100 000 for the unlawful arrest in a traffic related incident. Matter referred to council's insurance.
5. HE Scheepers – claim in the amount of R300 000 for unlawful arrest in a traffic related incident. Mr Scheepers' attorney is awaiting outcome of criminal appeal before deciding whether to pursue with the civil claim against the municipality or not. Matter referred to council's insurance.
6. JB Mahlangu - claim in the amount of R50 000 wherein the fire department vehicle negligently collided with a minibus taxi. Matter referred to council's insurance.
7. F de Beer – claim in the amount of R13 690 instituted against the municipality for damage caused by a pothole to a motor vehicle on corner Cowen Ntuli and Walter Sisulu Street. Matter referred to council's insurance.
8. South African Local Authority Pension Fund - claim in the amount of R76 268 being the amount paid to the beneficiary by the fund as a result of the failure by the municipality to timeously submit the claim forms. The matter is defended by council's attorneys.
9. S van Zyl - claim in the amount of R200 000 for unlawful arrest in a traffic related incident. Matter is referred to council's insurance.
10. PW Botha and others - claim in the amount of R352 500 for unlawful arrest in a traffic related incident. Matter referred to council's insurance.
11. S van Vreden – claim in the amount of R1 343 102 for damages, pain and suffering and loss of income due to alleged negligence by the municipality.
12. Triple E Training Holdings (Pty) Ltd - claim in the amount of R12 938 for damages for services rendered (Adult Based Education and Training). Matter is defended by council's attorneys.
13. S Moroamoche – claim in the amount of R72 700 against the municipality for damage to a vehicle in an accident. Matter is defended by council's attorneys.
14. MB Lehwelene - claim in the amount of R50 000 for damages after the claimant was dismissed at the disciplinary hearing during August 2006. Matter is defended by council's attorneys.
15. C van Rensburg - claim in the amount of R100 000 for damages after a wheel dislodged from a vehicle which was driven by a council employee on 15 May 2008. Matter is referred to council's insurance.
16. Zurich Insurance Company on behalf of AN Strydom - claim in the amount of R76 867 against the municipality for damage to a vehicle in an accident. Matter is defended by council's insurers.
17. B Chego - claim in the amount of R100 000 against the municipality for damage to a vehicle in an accident. Matter is defended by council's insurers.
18. CJ du Bruyn on behalf of V du Bruyn (minor) - claim in the amount of R250 273 against the municipality for negligence. Matter defended by council's insurers.
19. PB Siziba on behalf of PM Siziba (minor) - claim in the amount of R505 000 against the municipality for negligence. Matter is defended by council's insurers.
20. AF Talane - claim in the amount of R50 000 against the municipality for unlawful arrest. Matter is defended by council's insurers.

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45. Contingencies (continued)

21. EB Mahlangu - claim in the amount of R50 000 against the municipality for unlawful arrest. Matter is defended by council's insurers.
22. MP Kunneke - claim in the amount of R1 000 000 against the municipality for negligence. Matter is defended by council's insurers.
23. D Coetzee – claim in the amount of R250 000 against the municipality for unlawful arrest. Letter of demand referred to council's insurance.
24. JNH Grobler - claim in the amount of R430,518 against the municipality for unlawful arrest and damage to vehicle. Matter referred to council's insurers.
25. JM Ravele - claim in the amount of R89 508 against the municipality for negligence of failure to exercise due care towards the plaintiff. Matter referred to council's insurers.
26. NL Mogashoa – claim in the amount of R14 285 against the municipality for damage to vehicle as a result of collision with municipal vehicle. Matter referred to council's insurers.
27. E Booysen - claim in the amount of R1 000 000 against the municipality for negligence due to failure to put up a cul-de-sac sign.
28. Nashua Mobile - claim in the amount of R132 481 for non-payment of invoice due to dispute on possible fraud. Matter is referred to council's attorneys.
29. Federale Stene – claim in the amount of R5 691 064 against the municipality for failure to rehabilitate the landfill site. Matter is defended by council's attorneys.
30. GM van Vuuren - claim in the amount of R2 150 for damages to motorcycle caused by broken glass left on the street. Matter referred to council's insurer.
31. Ms N Nkosi - claim in the amount of R73 750 for damages to property caused by a burst water pipe. Matter referred to council's insurer.
32. Mr R Sindane – claim in the amount of R20 000 for damages to property caused by a burst water pipe. Matter referred to council's insurer.
33. Ms M Hlatshwayo – claim in the amount of R20 000 for damages to property caused by a burst water pipe. Matter referred to council's insurer.
34. Ms DS Mphahlele – claim for damages to property caused by storm water. Matter referred to council's insurance. The amount is yet to be determined.
35. Mrs EQ Mohoto – claim in the amount of R6 000 against the municipality for injuries sustained after the third party fell in a hole while walking on a sidewalk. Matter is referred to council's insurance.
36. Mr RL Modishane – claim in the amount of R6 005 against the municipality for damages to electronic equipment caused by a power surge. Matter is referred to council's insurance.
37. Mr KM Skosana – claim in the amount of R200 000 against the municipality for being assaulted by the municipality's traffic officers. Matter is referred to council's insurance.
38. Telkom – claim in the amount of R30 050 against the municipality for damages caused to 12 fibre optic cables near Hendrina power station. Matter referred to council's insurance.
39. Mr M Mathunyane – claim in the amount of R19 904 against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.
40. Mr MJ Letsoalo – claim in the amount of R50 822 against the municipality for damages to property caused by a burst water pipe. Matter referred to council's insurance.

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45. Contingencies (continued)

41. Mr FJ Venter – claim in the amount of R20 006 against the municipality for damages to his vehicle after colliding with a vehicle belonging to the municipality. Matter is referred to council's insurance.
42. PW Saayman – claim in the amount of R5 023 against the municipality for the loss of a JoJo tank after it got burnt in a veldfire started by the municipality's fire fighters. Matter is referred to council's insurance.
43. Telkom SA SOC Ltd – claim in the amount of R21 532 against the municipality for damages caused to a Telkom manhole. Matter is referred to council's insurance.
44. NS Archer – claim in the amount of R2 148 against the municipality for food that got spoiled as a result of a 2 day long power outage. Matter is referred to council's insurance.
45. FK Mahlangu – claim in the amount of R4 104 against the municipality for injuries sustained and loss of his phone after falling into a hole on the sidewalk at Mankge Street. Matter is referred to council's insurance.
46. A Ntamele – claim in the amount of R400 000 against the municipality for being shot by a traffic officer for no reason. Matter referred to council's insurance.
47. AP Samasuwo – claim in the amount of R400 000 against the municipality for being shot by a traffic officer for no reason. Matter referred to councils insurance.
48. DJ Swanepoel and Associates (on behalf of Du Plessis) HBN 893 MP – claim in the amount of R14 229 against the municipality for damages caused to the third party vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance..
49. TJ van Dyk – claim in the amount of R70 000 for unlawful arrest. Matter referred to council's insurance.
50. MP Naidoo – claim in the amount of R9 785 for damages to vehicle caused by pothole. Matter is referred to council's insurance.
51. EJ Joubert – claim in the amount of R780 098 for damages to third party vehicle caused by a pothole. Matter referred to council's insurance.
52. MG de Koker – claim in the amount of R16 500 for injury as a result of falling into a manhole. Matter referred to council's insurance.
53. MP Mahlangu – claim against the municipality for emotional shock caused from the wrongful arrest and assault of his father. The amount is yet to be determined. Matter referred to council's insurance.
54. KJ Mahlangu – claim against the municipality for unlawful arrest, assault, detention and prosecution. Amount is yet to be determined. Matter referred to council's insurance.
55. Alveston Manor guesthouse – claim in the amount of R4 592 against the municipality in respect of accommodation provided. Matter referred to council's insurance.
56. L Naidoo – claim in the amount of R4 563 against the municipality for damages caused to third party's vehicle by a speed hump. Matter is referred to council's insurance.
57. MX Masango – claim against the municipality for injuries sustained from playground equipment. Amount is yet to be determined. Matter referred to council's insurance.
58. S Mokwana – claim in the amount of R100 000 against the municipality for wrongful arrest and assault of a third party. Matter referred to council's insurance.
59. MP Mahlangu – claim against the municipality for misallocation of land. Amount is yet to be determined. Matter referred to council's insurance.
60. MM Eysell – claim against the municipality for damages caused to property as a result of the blasting activity at Shanduka Graspan Colliery. Amount is yet to be determined. Matter referred to council's insurance.

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45. Contingencies (continued)

61. Mr CH van Dyk – claim in the amount of R73 376 against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.
62. Mrs L Mahlangu – claim against the municipality for damages to her vehicle after colliding with a pothole. Amount is yet to be determined. Matter referred to council's insurance.
63. Mr T Ngwenya – claim in the amount of R65 001 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
64. Elusindisweni Primary School – claim against the municipality for damage to property caused by the municipality's vehicle that drove through it. Amount is yet to be determined. Matter referred to council's insurance.
65. Mrs Blignaut – claim in the amount of R14 931 against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter is referred to council's insurance.
66. Mr R Ramothibe – claim against the municipality for damages caused to property by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.
67. Mrs S Mzotho – claim against the municipality for damage to electronic appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
68. M Maela – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
69. L Mosiane – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
70. M Sekhuto – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
71. Masilela and Mdluli – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined.
72. TM Mpila – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
73. Mrs BK Mabuza – claim in the amount of R9 400 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
74. Telkom Soc Ltd – claim in the amount of R7 591 against the municipality for damage caused to fibre optic cables. Matter referred to council's insurance.
75. Mr A Mathebula – claim against the municipality in the amount of R800 000 against the municipality for being assaulted by traffic officers. Matters referred to council's insurance.
76. Camm Trans – claim against the municipality for loss of income. Amount is yet to be determined. Matter referred to council's insurance.
77. S Sibanyoni – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.
78. Ekwazini Secondary School – claim against the municipality for damage to property caused by municipal employees. Amount is yet to be determined. Matter referred to council's insurance.
79. Mr P Maseko – claim in the amount of R1 000 for food that got spoilt as a result of a power outage. Matter referred to council's insurance.
80. Mr D Khumalo – claim in the amount of R13 493 against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter referred to council's insurance.

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2017	2016
R	R

45. Contingencies (continued)

81. Mrs B Nkwana – claim against the municipality for injuries suffered after the third party fell on a sidewalk. Amount is yet to be determined. Matter referred to council's insurance.
82. Mrs L Skosana – claim against the municipality for damages caused to third party vehicle after colliding with pothole. Amount is yet to be determined. Matter referred to council's insurance.
83. Mrs BS McPherson – claim against the municipality for damage caused to electrical appliances by a power outage. Amount is yet to be determined. Matter referred to council's insurance.
84. Mrs SL Maseko – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.
85. AC Raynard – claim in the amount of R4 788 against the municipality for clearing a manhole that was blocked. Matter referred to council's insurance.
86. Midhend Investment CC – claim in the amount of R15 000 against the municipality for demolition of the third party's structure. Matter referred to council's insurance.
87. KJ Thubane – claim in the amount of R3 343 against the municipality for damages to vehicle after colliding with a rock on the road. Matter referred to council's insurance.
88. Ned Consortium – claim in the amount of R154 389 against the municipality for the illegal termination of a contract. Matter referred to council's insurance.
89. NC (Pty) Ltd – claim in the amount of R6 326 against the municipality for missing stock.
90. Mrs E Moagi – claim in the amount of R18 169 against the municipality for demolition of third party structure.
91. Mr and Mrs Vilane – claim in the amount of R81 754 against the municipality for damages of property caused by a water pipe that burst.
92. Mr and Mrs Letsoalo – claim in the amount of R102 254 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
93. SJ Mollentze – claim in the amount of R510 000 against the municipality for injuries sustained after a tree stump fell on her. Matter referred to council's insurance.
94. NS Mahlangu - claim in the amount of R46 500 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
95. ZL Maseko – claim against the municipality for damage to property caused by an electrical pole that fell on her house. Amount is yet to be determined. Matter referred to council's insurance.
96. K Mabhoko – claim in the amount of R200 000 against the municipality for assault by traffic officers. Matter referred to council's insurance.
97. C Thela – claim against the municipality for damage to vehicle caused by a pothole. Amount is yet to be determined. Matter referred to council's insurance.
98. A. N Maseko – this is a claim against the municipality in the amount of R 3 000.00 for loss of cell phone after falling into a hole.
99. B.J Van Der Merwe – this is a claim against the municipality in the amount of R 980.00 for damage to vehicle caused by a pothole.
100. B Makhoba – this is a claim against the municipality in the amount of R 17 595.80 for damages to electrical appliances.

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45. Contingencies (continued)

101. B Lummis – this is a claim against the municipality in the amount of R 15 518.50 for damage to vehicle caused by a pothole.
102. C.A Mphahlaza – this is a claim against the municipality for damages to property caused by a power cut. Amount is yet to be determined.
103. C. Badenhorst – this is a claim against the municipality in the amount of R 200 000 for wrongful arrest.
104. C. Gatzonis – this is a claim against the municipality for injuries suffered after slipping and falling on the sidewalk.
105. C. Olivier – this is a claim against the municipality in the amount of R 4 481.67 for damages to vehicle after colliding with Council's vehicle.
106. Everest Funerals – this is a claim against the municipality in the amount of R 4 450.00 for damages to vehicle after colliding with Council's vehicle.
107. Extension 8 residents – this is a claim against the municipality for damage to electrical appliances caused by a surge in power. The amount of the claim is yet to be determined.
108. F. Mukiwe – this is a claim against the municipality in the amount of R 100 000.00 for unlawful demolition of structure.
109. S. Simelane – this is a claim against the municipality in the amount of R 11 105.56 for damage to vehicle after colliding with a pothole.
110. H. Mabuza – this is a claim against the municipality in the amount of R 16 999.00 for damage to electrical appliances caused by a surge in power
111. J.G Lubbe - this is a claim against the municipality in the amount of R 8 999.00 for damage to electrical appliances caused by a surge in power.
112. J.L Phokane – this is a claim against the municipality for a damaged boundary wall.
113. L Marcus – this is a claim against the municipality for damage to vehicle caused by a pothole.
114. L. Davis – this is a claim against the municipality in the amount of R 3 000.00 for damages to vehicle caused by a pothole.
115. L. Kriel – this a claim against the municipality in the amount of R 6 790.00 for damaged gate motor.
116. M M. Mndawe – this is a claim against the municipality for damaged electrical appliances.
117. M. Tshoma – this is a claim against the municipality for damage to property caused by a water pipe that burst.
118. Mayivuthe – this is a claim against the municipality in the amount of R 719 322.75 for a damaged surge arrester machine.
119. N.S Smit – this is a claim against the municipality for damage to a vehicle by a pothole.
120. N.J Potgieter – this is claim against the municipality in the amount of R 396 500.00 for assault by traffic officials.
121. P.P Mahlangu – this is a claim against the municipality for damage to property caused by a burst pipe.
122. S. Sibanyoni – this is a claim against the municipality for damage to property caused by a burst pipe.
123. T.S Nkosi – this is a claim against the municipality for a house that burnt down as a result of an electricity box that exploded.
124. T. Vilakazi – this is a claim in the amount of R 29 706.84 for damages to a vehicle after colliding with Council's vehicle.
125. Middelburg Power Supplies - this is a claim against the municipality in the amount of R 657 540.66 for unpaid invoices.

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Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R		
46. Related parties				
Relationships				
Councillors	Refer to note 33			
Key management	Refer to note 32			
47. Prior period errors				
The prior year has been amended to account for prior period errors.				
Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.				
Statement of financial performance	Balance as previously reported	Prior period error	Reclassified (note 49)	Total
Revenue				
Property rates	308 610 464	-	(17 568 097)	291 042 367
Service charges	728 751 091	-	(48 669 392)	680 081 699
Interest received - investments	39 770 333	789 252	-	40 559 585
Government grants and subsidies	183 431 892	(987 039)	-	182 444 853
Public contributions and donations	60 973 026	162 000	-	61 135 026
Other income	33 761 383	(271 934)	-	33 489 449
	1 355 298 189	(307 721)	(66 237 489)	1 288 752 979
Expenses				
Depreciation and amortisation	(146 172 103)	(1 562 247)	-	(147 734 350)
Finance cost	(8 391 097)	(945 437)	-	(9 336 534)
Contributions to provisions	(21 460 536)	3 787 334	-	(17 673 202)
General expenses	(122 356 416)	(756)	-	(122 357 172)
Grants and subsidies paid	(71 439 309)	-	66 237 489	(5 201 820)
	(369 819 461)	1 278 894	66 237 489	(302 303 078)
Statement of financial position	Balance as previously reported	Prior period error	Reclassification (note 49)	Total
Current assets				
Inventory	169 156 738	518 542	-	169 675 280
Receivables from exchange transactions	25 604 902	488 912	-	26 093 814
	194 761 640	1 007 454	-	195 769 094
Non-current assets				
Investment property	25 941 390	9 523	-	25 950 913
Property, plant and equipment	6 033 148 460	14 646 545	-	6 047 795 005
	6 059 089 850	14 656 068	-	6 073 745 918
Current liabilities				
Payables from exchange transactions	(158 825 855)	419 090	-	(158 406 765)
Net assets				
Accumulated surplus - opening balance	(6 301 595 045)	(15 111 439)	-	(6 316 706 484)
1. Receivable from exchange not accrued				
Interest received for June 2016 on primary back account not accrued in prior period.				
Statement of financial position				
Increase in receivables from exchange transactions			-	789 252

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
47. Prior period errors (continued)		
Statement of financial performance		
Increase in interest received investments	-	(789 252)
2. Land not previously recognised		
Land which was not previously recognised in prior periods (prior 2015) has been taken up as investment property in the current year.		
Statement of financial position		
Increase in investment property	-	9 523
Increase in accumulated surplus	-	(9 523)
3. Work in progress incorrectly recognised		
Donation received from human settlement incorrectly recognised as work in progress in prior periods..		
Statement of financial position		
Decrease in property, plant and equipment	-	(987 039)
Statement of financial performance		
Decrease in government grants and subsidies	-	987 039
4. Correction of land value		
Incorrect value was taken up for donated land in the prior periods.		
Statement of financial position		
Increase in property, plant and equipment	-	162 000
Statement of financial performance		
Increase in public contributions and donations	-	(162 000)
5. Correction of accumulated depreciation		
Depreciation of Boskrans incorrectly calculated in the prior period.		
Statement of financial position		
Increase in accumulated depreciation	-	(275 478)
Statement of financial performance		
Increase in depreciation	-	275 478
6. Inventory not disposed		
Correction of inventory which should have been disposed in prior period. Incorrect portion of land disposed		
Statement of financial position		
Decrease in inventory	-	(96 164)
Decrease in accumulated surplus	-	96 164
7. Inventory incorrectly expensed		
Correction of inventory incorrectly disposed in prior years(incorrect portion of land disposed).		

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
47. Prior period errors (continued)		
Statement of financial position		
Increase in inventory	-	614 706
Increase in accumulated surplus	-	(614 706)
	<u>-</u>	<u>-</u>
Statement of financial performance		
Increase in general expenditure	-	756
	<u>-</u>	<u>756</u>
8. Payables from exchange incorrectly accrued		
Correction of payables from exchange transactions incorrectly accrued in prior years (prior 2015) for Department of Water Affairs and membership levies.		
Statement of financial position		
Decrease in payables from exchange transactions	-	662 022
Increase in accumulated surplus	-	(662 022)
	<u>-</u>	<u>-</u>
9. Land incorrectly disposed		
Correction of land which was incorrectly disposed off in prior years (prior 2015).		
Statement of financial position		
Increase in property, plant and equipment	-	37 469
Increase in accumulated surplus	-	(37 469)
	<u>-</u>	<u>-</u>
10. Payable from exchange not accrued		
Correction of main service contribution in prior period not accrued.		
Statement of financial position		
Increase in payable from exchange transactions	-	(242 935)
	<u>-</u>	<u>(242 935)</u>

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
47. Prior period errors (continued)		
Statement of financial performance		
Decrease in other income	-	242 935
11. Receivable from exchange incorrectly accrued		
Correction of insurance debtors incorrectly accrued for prior period.		
Statement of financial position		
Decrease in receivables from exchange transactions	-	(300 340)
Decrease in accumulated surplus	-	271 341
	-	(28 999)
Statement of financial performance		
Decrease in other income	-	28 999
12. Reclassification of free basic services		
Reclassification of free basic services previously classified as free basic services. Reclassification of free basic services previously classified as free basic services.		
Statement of financial performance		
Decrease in property rates	-	17 568 097
Decrease in service charges	-	48 669 392
Decrease in grants and subsidies paid	-	(66 237 489)
	-	-
	1	-
13. Landfill site rehabilitation		
Correction of recognition of landfill site rehabilitation as property, plant and equipment and recognition of interest cost.		
Statement of financial position		
Increase in property, plant and equipment	-	15 709 594
Increase in accumulated surplus	-	(15 709 594)
	-	-
Statement of financial performance		
Increase in finance cost	-	945 437
Decrease in provisions	-	(3 787 334)
Increase in depreciation	-	1 286 769
	-	(1 555 128)
14. Correction of previous duplicated and incorrectly recognised property, plant and equipment		

48. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are set out in note 47.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

2017	2016
R	R

49. Risk management

Financial risk management

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

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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	11 442 540	12 647 558	30 873 847	11 801 950
Payables from non-exchange transactions	843 708	139 415	214 409	903 874
Payables from exchange transactions	111 859 274	749 156	55 758 305	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	10 334 263	11 442 540	32 269 097	23 054 258
Payables from non-exchange transactions	5 351 354	139 415	214 409	1 091 332
Payables from exchange transactions	106 815 237	1 522 810	50 487 801	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. 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. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2017	2016
Cash and cash equivalents	83 901 579	80 463 242
Trade receivables from exchange transactions	78 207 626	73 504 781
Investments	482 000 000	485 000 000
Long term receivables	37 657	62 927
Other receivables from exchange transactions	28 835 511	26 093 814
Receivables from non-exchange transactions	5 709 384	11 125 056

Market risk

Interest rate risk

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

50. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
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51. Events after the reporting date

No events after reporting date occurred which requires disclosure.

52. Unauthorised expenditure

Community and public safety	1 415 381	-
Executive and council	-	9 442 663
	<u>1 415 381</u>	<u>9 442 663</u>

The above unauthorised expenditure within the votes is as a result of year-end provision for bad debts, impairment for traffic fines. This unauthorised expenditure will be tabled in a special adjustment budget when the annual report is tabled in accordance with section 23(6) of the Budget and Reporting Regulations. Despite the overspending on the above votes, the total approved expenditure did not overspend.

53. Fruitless and wasteful expenditure

Opening balances	140 881	140 081
Additions	-	800
	<u>140 881</u>	<u>140 881</u>

54. Irregular expenditure

Opening balance	33 402 095	-
Add: Irregular Expenditure - current year	3 775 234	18 452 467
Add: Irregular Expenditure - previous year	-	14 949 628
	<u>37 177 329</u>	<u>33 402 095</u>

Analysis of expenditure awaiting condonation per age classification

Current year	-	3 775 234
2016	-	18 452 467
2015	-	14 949 628
	<u>-</u>	<u>37 177 329</u>

Details of irregular expenditure – current year

Rand water	Non compliance with SCM policy by Rand water	2 175 498
Altimax (Pty) Ltd	Invalid reason for deviations	1 599 736
		<u>3 775 234</u>

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Membership fees payable	4 267 547	4 125 090
Amount paid - current year	(4 267 547)	(4 125 090)
	<u>-</u>	<u>-</u>

Audit fees

Current year fee	4 135 664	4 959 307
Amount paid - current year	(4 135 664)	(4 959 307)
	<u>-</u>	<u>-</u>

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year payroll deduction (PAYE)	56 369 275	48 202 527
Current year payroll deduction (UIF)	4 742 582	4 272 904
Amount paid - current year (PAYE)	(56 369 275)	(48 202 527)
Amount paid - current year (UIF)	(4 742 582)	(4 272 904)
	<u>-</u>	<u>-</u>
Pension and medical aid deductions		
Current year payroll deduction (medical aid)	37 044 059	32 132 058
Current year payroll deduction (pension fund)	65 647 529	59 523 904
Amount paid - current year (medical aid)	(37 044 059)	(32 132 058)
Amount paid - current year (pension fund)	(65 647 529)	(59 523 904)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	<u>6 441 569</u>	<u>6 070 158</u>

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

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2017 and 30 June 2016:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
None	-	-	-
30 June 2016			
	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr O Malinga - Account 34-2195-1X	931	4 378	5 309
Cllr MN Mathibela - Account 21-0093-7X	-	3 439	3 439
Cllr PP Tau - Account 89-2480-3X	-	5 497	5 497
	<u>931</u>	<u>13 314</u>	<u>14 245</u>

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.		
Ekletos Live Life Love Water - daughter works for the municipality	-	62 048
Payati Business Enterprise	-	41 496
Tenemo General Dealer - sister works for the Department of Health	-	32 450
Tsoga Moteo Trading and Projects - wife works for the Sekhukhune District Municipality	247 287	19 271
Mamphela Waste Management (Pty) Ltd - father works for the municipality	389 194	476 979
MBG Auto Body Panelbeter - father works for the municipality	-	1 761
Sivest (Pty) Ltd - wife works for City of Cape Town	-	36 363
SMEC South Africa (Pty) Ltd - wife works for Provincial Government	-	89 285
Lefase la Rona Trading and Projects 416 - wife is a teacher	45 345	-
Altimax Chartered Accountants Inc.	42 100	-
Middelburg Auto Body Panelbeater	25 581	-
	<u>749 507</u>	<u>759 653</u>

56. Budget differences

Material differences between budget and actual amounts

A variance of 10% of more or a variance of (10%) or less is considered to be a material variance.

Reasons for material differences between actual and budget figures are explained below:

1. Rental of facilities - new agreement for surface rental resulted in a lessor rental amount received of R2.3 million.
2. Interest received - investment - R16.1 million more interest realised due to favourable cash position and increase in prime rate.
2. Interest received - trading - R0.3 million more interest received due to increase in outstanding debtors accounts and increase of prime rate.
3. Fines, penalties and forfeits - R6.7 million more revenue accrued from traffic fines based on the actual fines issued.
5. Other revenue - R46 million less revenue received for the sale of erven which did not realised as planned.
6. Debt impairment - an additional provision was made to the debt impairment provision for traffic fines amounting to 12.5 million.
7. Finance charges - No new external loan taken up, resulting that planned finance charges did not realised.
8. Other expenditure

Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2017

2017	2016
R	R

56. Budget differences (continued)

Included in other expenditure is repairs and maintenance, collection costs which was not separately budgeted for.

Less expenditure realised on repairs and maintenance for grass cutting, refuse removal and electricity networks to the amount 13.6 million.

Employee stated benefits was reclassified to employee related costs resulting in a saving of R4.9million.

Lesser expenditure realised on consultancy fees to the amount of R4.2 million.

Due to fluctuation of fuel prices less expenditure realised to the amount R1.4 million.

The planned Eskom connection fee of R6.2 million did not realise.

Lessor inventory on land was expensed to the amount of R19.8 million as a result of stands not alienated.

Spluma was not fully implemented resulting in a saving of R1.2 million.

General savings on materials and supplies realised to the amount of R6.1 million.

57. Deviation from supply chain management regulations

Class

Emergency	28 621 747	14 686 803
Sole suppliers	10 013 671	6 689 478
Impractical or impossible to follow the process	22 576 745	31 830 509
Special works of art	147 606	473 223
	<u>61 359 769</u>	<u>53 680 013</u>

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

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

APPENDIX H
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 40
for the year ended 30 June 2017

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
JULY 2016				
Community	Motion Perfection	35 419,45	Sec 40(1)(a)(i) - emergency	Sirens and rotators for response vehicles needed urgent repairs.
Community	Starter Repair	1 549,99	Sec 40(1)(a)(i) - emergency	Reconditioning of starter on patrol vehicle.
Corporate	Kunene Motors	7 130,50	Sec 40(1)(a)(i) - emergency	Agents for Mercedes.
Infrastructure	Mayivuthe	568 233,00	Sec 40(1)(a)(i) - emergency	Replace faulty miniature substation.
Infrastructure	Makroti	105 256,58	Sec 40(1)(a)(i) - emergency	Cable fault on cables at Mhluzi.
Finance	Miguel Assist	1 720,00	Sec 40(1)(a)(i) - emergency	Line printer damaged by power surge and could not print from financial system.
Infrastructure	Mayivuthe	57 695,40	Sec 40(1)(a)(i) - emergency	Boskrans waste transformer was malfunctioning and needed repairs.
Community	Middelburg Nissan	14 641,36	Sec 40(1)(a)(i) - emergency	Agents for Nissan.
Community	Barloworld Toyota	17 410,50	Sec 40(1)(a)(i) - emergency	Agents for Toyota.
Community	McCarthy VW	10 763,60	Sec 40(1)(a)(i) - emergency	Agents for VW.
Community	CV Master	2 019,91	Sec 40(1)(a)(i) - emergency	Front brakes needed to be skimmed as it was not braking.
Community	Middelburg Truck & Trailers	96 113,40	Sec 40(1)(a)(i) - emergency	Truck needed urgent repairs on rear spring, diff and prop shaft.
Infrastructure	Power Pump Eng.	38 290,32	Sec 40(1)(a)(i) - emergency	Tokologo pump station was flooded as a result of broken pump.
Community	Solly's	10 580,72	Sec 40(1)(a)(i) - emergency	Agent for Chevrolet.
Community	Van Wettens	2 622,00	Sec 40(1)(a)(i) - emergency	Vehicle stuck while extinguishing veld fire.
Community	Zinothile	54 000,00	Sec 40(1)(a)(i) - emergency	The STLM trucks broke down and the new ones were required.
Infrastructure	Instru-Serve	12 733,80	Sec 40(1)(a)(ii) - single provider	Instru-Serve supplied and installed new GF pulse module for Pienaar Dam.
Infrastructure	Equipment Spare Parts	2 879,09	Sec 40(1)(a)(ii) - single provider	TLB used for pipe burst broke down and needed repairs.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Equilibrium Medical Waste	24 608,55	Sec 40(1)(a)(v) - exceptional case	They are the suppliers of bins and therefore needed to service them.
Community	Middelburg Truck & Trailers	80 090,30	Sec 40(1)(a)(v) - exceptional case	Strip and quote on compactor truck. Impractical to follow procurement process.
Municipal Manager	Aurecon	650 940,00	Sec 40(1)(a)(v) - exceptional case	They were appointed for the update of 2014/2015 financial year and verification of immovable infrastructure asset register.
Infrastructure	Kay Montgomery Editorial	3 684,00	Sec 40(1)(a)(v) - exceptional case	SA Green Industries Council Art, the only organization offering such modules. All companies are required to have invasive control plan from 1 October 2016.
Corporate	Dlamini Sedeca	19 400,00	Sec 40(1)(a)(v) - exceptional case	The process of acquiring quotations were done without utilizing CSD.
Corporate	Ubabhemi	2 400,00	Sec 40(1)(a)(v) - exceptional case	The process of acquiring quotations were done without utilizing CSD.
Corporate	Yethu Sonke	13 688,00	Sec 40(1)(a)(v) - exceptional case	The process of acquiring quotations were done without utilizing CSD.
Community	Magna	176 670,00	Sec 40(1)(a)(v) - exceptional case	Contracted to Council.
Infrastructure	Sivuthumlilo	7 247 163,83	Sec 40(1)(a)(v) - exceptional case	Rand Water was appointed for construction of pump station. Rand Water appointed Sivuthumlilo to execute the job.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
AUGUST 2016				
Infrastructure	Kgwebiswano Supplies & Services CC	231 876,00	Sec 40(1)(a)(i) - emergency	Urgent service is required from service provider to locate the underground cable faults by using surge generator and to repair identified cable faults.
Community	Modise Protection Services	21 523,20	Sec 40(1)(a)(i) - emergency	Additional security personnel were needed to monitor and safeguard municipal personnel, assets and property in Hendrina during the labour unrest of municipal workers on the 26 & 27 July 2016.
Community	Protass (Pty) Ltd	147 402,00	Sec 40(1)(a)(i) - emergency	Additional security personnel were needed to monitor and safeguard municipal personnel, assets and property in Middelburg during the labour unrest of municipal workers on the 26 & 27 July 2016.
Community	Pridi Security Services	32 216,94	Sec 40(1)(a)(i) - emergency	Additional security personnel were needed to monitor and safeguard municipal personnel, assets and property in Middelburg and Mhluzi during the labour unrest of municipal workers on the 26 & 27 July 2016.
Community	Van Wetten Towing Services	2 109,00	Sec 40(1)(a)(i) - emergency	Emergency towing of vehicle, HDM163MP Toyota Hilux, faulty clutch at Slaghoek road during grass fire.
Community	Motion Perfection Industries	14 861,21	Sec 40(1)(a)(i) - emergency	Emergency replacing of lights and siren system of fire truck HNN393MP and starter of Landrover CSV795mp.
Finance	Season's Find 704 CC	434 000,00	Sec 40(1)(a)(i) - emergency	Emergency supply and delivery of diesel at stores due to failing of current contractor. Fuel tanks are empty and need to be filled up as a matter of urgency.
Finance	Season's Find 704 CC	73 500,00	Sec 40(1)(a)(i) - emergency	Emergency supply and delivery of petrol ULP 93 at stores due to failing of current contractor. Fuel tank is empty and need to be filled up as a matter of urgency.
Finance	Season's Find 704 CC	111 150,00	Sec 40(1)(a)(i) - emergency	Emergency supply and delivery of diesel & petrol ULP 93 at stores due to failing of current contractor. Fuel tanks are empty and need to be filled up as a matter of urgency.
Finance	Season's Find 704 CC	147 000,00	Sec 40(1)(a)(i) - emergency	Emergency supply and delivery of petrol ULP at stores due to failing of current contractor. Fuel tanks are empty and need to be filled up as a matter of urgency.
Community	Crane-Fly Trading CC	71 820,00	Sec 40(1)(a)(i) - emergency	Emergency provisioning of rear end loading compactor truck for collection and transportation of waste to Middelburg landfill site from around MP313 due to breakdown of trucks.
Municipal Manager	Season's Find 704 CC	2 820,00	Sec 40(1)(a)(i) - emergency	Emergency requirement of tyre, Continental 245/45/17 for mayoral vehicle.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Golukisha Engineering	68 764,00	Sec 40(1)(a)(i) - emergency	Emergency repairs have to be done on shredder where-after it will be installed at Tokologo pump station to prevent pump damage and avoid raw sewage overflowing into the river.
Infrastructure	OH Frewin	3 016,84	Sec 40(1)(a)(i) - emergency	Required booklets are needed urgently by the department and recommended supplier do have the required template and has previously printed said booklet for the municipality.
Infrastructure	Kwena Water Management	14 670,66	Sec 40(1)(a)(i) - emergency	Urgent butt-welding required on HDPE pipe coming from Komati power station going to Koorfontein Village that was caused by persons burning the grass.
Infrastructure	Golukisha Engineering	111 765,60	Sec 40(1)(a)(i) - emergency	Emergency refurbishment of said pump impellers are required to ensure availability of these pump to avoid spilling of sewage into the nearby river.
Infrastructure	Viva Engineering Projects	6 083,69	Sec 40(1)(a)(i) - emergency	Emergency repairs to electrical panel at Uitkyk pump station during night of 26 July during SAMWU strike leaving Uitkyk residents without water.
Infrastructure	Yeltech Witbank	31 484,52	Sec 40(1)(a)(i) – emergency	Emergency repairs of faulty HP4500 plotter required due to negative impact on service delivery optimization.
Infrastructure	Viva Engineering Projects	118 972,97	Sec 40(1)(a)(i) – emergency	Emergency exchanging of main KSB pump at Vaalbank WTW & strip & quote on damaged pump to get back in operation. No standby pump available.
Infrastructure	Viva Engineering Projects	128 864,40	Sec 40(1)(a)(i) – emergency	Emergency requirement to pump water into water network during SAMWU strike due to fact that large parts of town was without water, water plant was not operational for 24 hours, which left reservoirs to run dry.
Infrastructure	Electromech Maintenance Services	14 381,00	Sec 40(1)(a)(i) – emergency	Urgently requirement to supply a new coupling for pump set at Middelburg Dam to enable the commissioning of the new pump set.
Infrastructure	Barloworld Equipment	8 608,61	Sec 40(1)(a)(i) – emergency	Emergency repairs to generator at Boskrans WWTW pump station to prevent raw sewerage spillage in the river.
Community	Panasonic Business System	1 578,90	Sec 40(1)(a)(ii) - single provider	Panasonic business systems is the single provider of the toner that is needed for the said fax machine.
Community	Truvelo Manufacturers (Pty) Ltd	3 563,79	Sec 40(1)(a)(ii) - single provider	Truvelo manufacturers is the sole provider and manufacturer of said machine.
Community	Barloworld Toyota	2 205,77	Sec 40(1)(a)(ii) - single provider	Vehicle still under warranty and need to be serviced by agent.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Bell Equipment Sa	45 309,82	Sec 40(1)(a)(ii) - single provider	Urgent replacement of turbo charger of grader need to be done by manufacturer of the machine.
Infrastructure	Selectech (Pty) Ltd	3 283,20	Sec 40(1)(a)(ii) - single provider	Urgent repairs of PH meter at Vaalbank WTP is required and Selectech is the sole distributor of these Lovibond units.
Infrastructure	Instru-Serve	60 060,90	Sec 40(1)(a)(ii) - single provider	Company is the sole supplier of said data loggers My City telemetry system.
Infrastructure	Instru-Serve	265 615,20	Sec 40(1)(a)(ii) - single provider	Company is the local certified agent incorporation of online water quality instruments to the My City telemetry system.
Corporate	Emalaheni Document Facilities	5 851,55	Sec 40(1)(a)(ii) - single provider	Municipality do have a contract with service provider for the copier and they are the sole provider of the toner.
Infrastructure	VI Instruments	6 538,19	Sec 40(1)(a)(ii) - single provider	Service provider is the manufacturer of the said machine and have to service it.
Infrastructure	Sandton Gearbox & Diff Centre CC	82 500,00	Sec 40(1)(a)(v) - exceptional case	Service provider do a strip and quote on the vehicle. Vehicle was stripped to provide quote and will be time consuming to request additional quotes.
Community	Born-To Protect	840 630,67	Sec 40(1)(a)(v) - exceptional case	Security contract with born to protect come to an end, procurement process to appoint new supplier was delayed due to industrial action.
Corporate	Business Connexion	1 402 880,07	Sec 40(1)(a)(v) - exceptional case	Business Connexion provides net support renewal as a Cisco partner. The net support warranty has lapsed and need to be renewed for a period of twelve (12) months.
Community	Pridi Security Services	62 040,53	Sec 40(1)(a)(v) - exceptional case	Security contract with current service provider come to an end and the procurement process to appoint new service provider was delayed due to industrial action at the municipality.
Infrastructure	Kutana Hydraulics	31 441,20	Sec 40(1)(a)(v) - exceptional case	Service provider do a strip and quote on the vehicle. Vehicle was stripped to provide quote and will be time consuming to request additional quotes.
Community	Automotor Traffic Signal	24 931,80	Sec 40(1)(a)(v) - exceptional case	One (1) traffic signal pole at Dr. Mandela and Samora Machel intersection was knocked down by a motor vehicle and need to be repaired. The service provider installed the same intersection and is still under guarantee.
Community	Automotor Traffic Signal	24 931,80	Sec 40(1)(a)(v) - exceptional case	One (1) traffic signal pole at Dr. Beyers Naudé and Lilian Ngoyi intersection was knocked down by a motor vehicle and need to be repaired. The service provider installed the same intersection and is still under guarantee.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Lacove Locksmith t/a Krabo Middelburg	8 964,39	Sec 40(1)(a)(v) - exceptional case	Drop safe at licensing need to be opened and the combination lock need to be replaced. Safe was procured from Krabo and therefore they are requested to replace the lock.
Corporate	McVine Collections	29 500,00	Sec 40(1)(a)(v) - exceptional case	Service providers with videography commodity are not registered on central supplier database.
Community	Automotor Traffic Signal	37 995,06	Sec 40(1)(a)(v) - exceptional case	One (1) traffic controller box at intersection Hendrina and Adelaide was vandalized and stolen and need to be replaced. Still under guarantee and intersection was installed by same company.
Corporate	McVine Collections	7 590,00	Sec 40(1)(a)(v) - exceptional case	Preferred motivational speakers not all registered on central supplier database.
Infrastructure	Secunda Turf	4 012,80	Sec 40(1)(a)(v) - exceptional case	Service provider do a strip and quote. Lawn mower is stripped to provide quote and will be time consuming to request additional quotes.
Infrastructure	Z & F Water Specialist	9 500,00	Sec 40(1)(a)(v) - exceptional case	Operation of Vaalbank water treatment plant during SAMWU strike to ensure water supply to Skietbaan and Nazareth reservoirs.
Infrastructure	Golukisha Engineering	13 491,90	Sec 40(1)(a)(v) - exceptional case	Operation of pumps and cleaning of screen at Boskrans raw sewerage pump station during SAMWU strike.
Infrastructure	Vero Test	41 342,61	Sec 40(1)(a)(v) - exceptional case	Removal and transferring of testing equipment from one vehicle to another by the service provider who has supply the equipment.
Corporate	Sizwe IT Group	6 528,40	Sec 40(1)(a)(v) - exceptional case	Sizwe IT Group currently on site doing desktop and server support and will provide new hard drive due to fact that the current one has failed and need to be replaced.
Infrastructure	Actom Protection & Control	86 611,80	Sec 40(1)(a)(v) - exceptional case	Mini analysis and protection of power course is essential for electrical department and is unique and can only be conducted by said service provider.
Community	Mafeta Napogadi Trading & Projects JV Izingwenya 210 Investment	1 961 064,00	Sec 40(1)(a)(v) - exceptional case	Security services at electrical posts and transfer stations.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
SEPTEMBER 2016				
Infrastructure	Zanezi	210 927,36	Sec 40(1)(a)(i) - emergency	Due to SAMWU strike external service was required to attend to electrical complaints.
Community	Fofu Security	82 400,00	Sec 40(1)(a)(i) - emergency	Services rendered during the SAMWU strike.
Infrastructure	Njingabeyisola	1 239 097,20	Sec 40(1)(a)(i) - emergency	Services rendered during the SAMWU strike.
Infrastructure	Kgwebiswano	222 300,00	Sec 40(1)(a)(i) - emergency	315 KVA pole faulty.
Community	Van Wettens	7 061,16	Sec 40(1)(a)(i) - emergency	The clutch was faulty and towed to McCarthy.
Infrastructure	Actom	248 865,00	Sec 40(1)(a)(i) - emergency	15 micom p122 protection relays required for Nasaret 11KV switching station.
Infrastructure	SBMA	25 080,00	Sec 40(1)(a)(i) - emergency	Emergency call out during the strike.
Infrastructure	SBMA	13 720,00	Sec 40(1)(a)(i) - emergency	Emergency call out during the strike.
Infrastructure	Mayivuthe	79 173,00	Sec 40(1)(a)(i) - emergency	Repair medium voltage cable during SAMWU strike.
Community	Iveco	23 393,47	Sec 40(1)(a)(i) - emergency	Service and repair as per quotation on IVECO tracker.
Infrastructure	SBMA	24 532,00	Sec 40(1)(a)(i) - emergency	Repairs on electrical panel.
Infrastructure	Kgwebiwsano Supplies	20 862,00	Sec 40(1)(a)(i) - emergency	Service rendered during SAMWU strike.
Finance	Pridi	62 040,53	Sec 40(1)(a)(i) - emergency	Security services at the pay points.
Infrastructure	Kelran	43 689,60	Sec 40(1)(a)(i) - emergency	The high up is the only vehicle used by electrical department.
Infrastructure	Viva Engineering	29 949,00	Sec 40(1)(a)(i) - emergency	Reservoir outlet caused low supply.
Infrastructure	K & L	81 719,30	Sec 40(1)(a)(i) - emergency	Eighty (80) grids inlets do not have cover which is hazardous to community.
Community	Crane Fly	32 503,68	Sec 40(1)(a)(i) - emergency	Provision of waste service during labour unrest.
Infrastructure	Mazwabo	142 830,14	Sec 40(1)(a)(i) - emergency	Electrical services required during SAMWU strike.
Community	Crane Fly	30 780,00	Sec 40(1)(a)(i) - emergency	The department required more trucks as there was a shortage of truck.
Community	Solly's Middelburg	6 278,39	Sec 40(1)(a)(i) - emergency	The vehicle broke down and required urgent repairs.
Community	Wilco	2 130,03	Sec 40(1)(a)(i) - emergency	Compactor truck needed urgently to perform daily duties.
Community	Wilco	7 813,97	Sec 40(1)(a)(i) - emergency	Compactor truck needed urgently to perform daily duties.
Community	Squabs	191 520,00	Sec 40(1)(a)(i) - emergency	Illegal dumping services during the labour unrest.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Tuvelo	13 918,43	Sec 40(1)(a)(ii) - single provider	They are the sole developer of audio system.
Infrastructure	Afrilab	17 225,40	Sec 40(1)(a)(ii) - single provider	New PH electrodes for water analysis hach meters are required to replace the damaged electrodes.
Infrastructure	Afrilab	48 976,68	Sec 40(1)(a)(ii) - single provider	Afrilab is the sole supplier for the requested chemicals.
Community	Syco Machinery	1 442,10	Sec 40(1)(a)(ii) - single provider	Additional set of hand tools are required.
Community	Jebtie	15 737,71	Sec 40(1)(a)(ii) - single provider	Service on IVECO tracker.
Finance	CAT	5 700,00	Sec 40(1)(a)(ii) - single provider	The CAT server where the software of the meter reading system resides lost two hard drives and total route master.
Community	Midmuzik	36 686,83	Sec 40(1)(a)(ii) - single provider	They are the only provider of regulatory test material utilized in learners test classes.
Community	Fairy Wings	9 743,58	Sec 40(1)(a)(ii) - single provider	Car dealer of Nissan cars.
Finance	Chubb Security	2 049,22	Sec 40(1)(a)(ii) - single provider	Contracted to Council.
Community	TNT System	2 500,00	Sec 40(1)(a)(ii) - single provider	Vehicle dealer.
CORPORATE	Rise FM	48 236,82	Sec 40(1)(a)(ii) - single provider	Rise FM is the only provincial commercial radio station that caters for different types of audiences.
Infrastructure	Imvusa	5 900,00	Sec 40(1)(a)(ii) - single provider	Break down and emergency tow in of vehicle.
Corporate	Phehla Konke	3 500,00	Sec 40(1)(a)(v) - exceptional case	The request was verbal from the executive mayor when hosting prayer women for the peaceful elections.
Community	Hawk Security	8 074,00	Sec 40(1)(a)(v) - exceptional case	They are the only service provider proving service outside Middelburg.
Corporate	Dlamini Sedeca	6 150,00	Sec 40(1)(a)(v) - exceptional case	Mayoral outreach was arranged on short notice and there was not enough time to procure tent, chairs, tables and transport.
Finance	Sofotef	10 106,00	Sec 40(1)(a)(v) - exceptional case	They are contracted to Council.
Community	Mechanibike	10 342,00	Sec 40(1)(a)(v) - exceptional case	Only dealer willing to give detailed quotes.
Community	Mechanibike	24 974,00	Sec 40(1)(a)(v) - exceptional case	Only dealer willing to give detailed quotes.
Community	Middelburg Bolt / Nut	11 851,40	Sec 40(1)(a)(v) - exceptional case	Strip and quote, will be expensive to take it to another service provider.
Community	Barloworld Toyota	52 939,07	Sec 40(1)(a)(v) - exceptional case	Accredited dealership who attended the vehicle.
Corporate	Roning System	198 197,69	Sec 40(1)(a)(v) - exceptional case	The STLM need to extend one of its masts at Gholfsig towers.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Finance	Print Serve	7 000,00	Sec 40(1)(a)(v) - exceptional case	Two (2) of the main financial printers are not operational due to the print server.
Corporate	Fast & Working Telecomms	2 450,00	Sec 40(1)(a)(v) - exceptional case	The fire station still uses telephone exchanges that are directly connected to Telkom.
Infrastructure	Imvusa	29 698,00	Sec 40(1)(a)(v) - exceptional case	Strip and quote, will be expensive to take it to another service provider.
Infrastructure	Imvusa	11 845,00	Sec 40(1)(a)(v) - exceptional case	Strip and quote, will be expensive to take it to another service provider.
Community	Middelburg Truck	23 392,10	Sec 40(1)(a)(v) - exceptional case	Strip and quote, will be expensive to take it to another service provider.
Corporate	Mashakers	7 200,00	Sec 40(1)(a)(v) - exceptional case	Catering arranged on short notice and there was not enough time to procure.
Community	ETM	24 475,80	Sec 40(1)(a)(v) - exceptional case	Strip and quote, will be expensive to take it to another service provider.
Municipal Manager	Middelburg Chamber	32 903,75	Sec 40(1)(a)(v) - exceptional case	Quotations received from other service providers does not meet expectations.
Community	Middelburg Truck	47 536,70	Sec 40(1)(a)(v) - exceptional case	Strip and quote, will be expensive to take it to another service provider.
Finance	Tsoga Motheo	61 821,76	Sec 40(1)(a)(v) - exceptional case	Security services at the pay points.
Corporate	MIE	45 000,00	Sec 40(1)(a)(v) - exceptional case	Was appointed on advertised quotes for the period of six (6) months.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
OCTOBER 2016				
Infrastructure	K-Quip	28 525,08	Sec 40(1)(a)(i) - emergency	Two (2) chlorine systems for disinfection at Vaalbank WTP got blocked and failed to dose chlorine gas. Supplier was contacted to urgently unblocked systems to ensure that all harmful bacteria's are destroyed and that final water conforms to standards and is suitable to drink.
Infrastructure	MP Pumps CC	120 482,04	Sec 40(1)(a)(i) - emergency	The old screw pump parts are no longer being manufactured as a result we cannot pump raw sewerage resulting in the pollution of the stream and therefore a new raw sewage pump need to be supplied and installed at Komati WWTW.
Community	McCarthy Kunene Holdings	11 213,60	Sec 40(1)(a)(i) - emergency	Emergency repair of expansion tank and track rod of Mercedes Atego DTK738MP. Vehicle is being used to attend accidents.
Community	Variprint Systems CC	32 917,50	Sec 40(1)(a)(i) - emergency	Test books (c1) have been depleted during the process of obtaining quotations and therefor an emergency order has to be placed in meantime because no stock available for Middelburg as well as Hendrina licensing departments.
Infrastructure	ETM Manufacturing	48 990,00	Sec 40(1)(a)(i) - emergency	Urgent repairs to truck (DVW703MP) has to be done to ensure service delivering to the community is not interrupted.
Community	Jebtie Properties	21 631,04	Sec 40(1)(a)(i) - emergency	Emergency repair on IVECO FXS311MP responding vehicle required to ensure continuous service delivery.
Community	LIC Technical Service Solution	42 633,66	Sec 40(1)(a)(i) - emergency	Emergency repair of injector pump with injectors and engine top of Toyota Hilux DPI207MP. The vehicle is used for grass fires and need to be repaired as a matter of urgency.
Community	Fairy Wing Trading, Middelburg	23 127,75	Sec 40(1)(a)(i) - emergency	Emergency repair to vehicle FDC802MP.
Community	Modise Protection Services	7 740,60	Sec 40(1)(a)(i) - emergency	Fourteen security officers required to render security services at mayoral inauguration on the 14th of October 2016 as from 06:00 until 18:00 at Themba Senamela Stadium.
Infrastructure	Khisama Mining & Industrial	3 990,00	Sec 40(1)(a)(i) - emergency	Emergency repair of compactor truck to perform duties of service delivery to the community.
Community	Middelburg Truck & Trailer Spares CC	5 854,00	Sec 40(1)(a)(i) - emergency	Emergency repair and service of quantum brake shoe set. Vehicle is being used on daily basis to transport staff.
Community	Motion Perfection Industries	10 843,00	Sec 40(1)(a)(i) - emergency	Emergency repairs on both vehicles (DXN566MP - star bar lights & DPJ207MP - electric wiring). Vehicles are urgently needed for attending house fires and responding to motor vehicle accidents.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Rianke CC t/a Botshabelo Mining	109 349,00	Sec 40(1)(a)(i) - emergency	Emergency repairs need to be done to the Aerotor gearboxes to ensure normal operation thereof for supplying oxygen into the raw water and production of water quality that meets the requirements.
Community	McCanties & Sons	19 346,65	Sec 40(1)(a)(ii) - single provider	Emergency repairs have to be done to both vehicles and vehicles are required for service delivery by the department.
Corporate	GP Van Niekerk Ondernemings	16 834,95	Sec 40(1)(a)(ii) - single provider	Company is sole provider of Innetcp/IP Winet software.
Infrastructure	Instru-Serve CC	12 820,00	Sec 40(1)(a)(ii) - single provider	The company has designed and installed the monitoring system at Kwaza WWTW.
Community	Kunene Motors Holdings Ltd	190 749,00	Sec 40(1)(a)(ii) - single provider	Specialized repairs can only be performed by the dealer or manufacturers.
Finance	Chubb Fire & Security SA	2 591,30	Sec 40(1)(a)(ii) - single provider	Council do have a contract with the service provider.
Community	Pal Bus Services	41 000,00	Sec 40(1)(a)(v) - exceptional case	Insufficient time to advertise for quotations. Transport services urgently required for beneficiaries from Middelburg & Hendrina to Emahlaleni for handover of title deeds.
Community	Automotor Traffic Signal	41 929,20	Sec 40(1)(a)(v) - exceptional case	Traffic signal at corner of Dr. Beyers Naude & Dr. Mandela road was knocked down by a motor vehicle. The service provider provide a quote because they have installed the intersection and it is under guarantee.
Community	Born to Protect	560 370,39	Sec 40(1)(a)(v) - exceptional case	The contract of Born to Protect came to an end and the new tender for security services was advertised and not yet finalized.
Infrastructure	McCanties & Sons	4 218,84	Sec 40(1)(a)(v) - exceptional case	Starter of the vehicle must be stripped and quote to provide a quotation.
Infrastructure	McCanties & Sons	8 998,78	Sec 40(1)(a)(v) - exceptional case	Strip and quote to get the fault on the wiring and to provide a quote.
Infrastructure	Middelburg Nissan t/a Fairy Wing	44 205,67	Sec 40(1)(a)(v) - exceptional case	Strip and quote gearbox and clutch need to be stripped to provide quote.
Infrastructure	McCanties & Sons	3 290,51	Sec 40(1)(a)(v) - exceptional case	Strip and quote wiring has to be checked, tested and stripped in order to provide a quote.
Infrastructure	Bonakgopa (Pty) Ltd	17 214,00	Sec 40(1)(a)(v) - exceptional case	Strip and quote hydraulic system has to be tested to check pressures and stripped in order to provide a quote to repair.
Community	Automotor Traffic Signal	36 997,00	Sec 40(1)(a)(v) - exceptional case	Three (3) aspects traffic signals were knocked down by motor vehicle on intersection of Hendrina Road & Extension 24 entrance. Service provider has installed the intersection and is still under guarantee.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Automotor Traffic Signal	22 468,26	Sec 40(1)(a)(v) - exceptional case	One (1) aspects traffic signal was knocked down by motor vehicle on intersection of Oranje & Pongola Street. Service provider has installed the intersection and is still under guarantee.
Community	Barloworld Toyota	5 014,48	Sec 40(1)(a)(v) - exceptional case	Vehicle was towed to service provider for strip and quote because vehicle was still under warranty.
Infrastructure	Bell Equipment	4 265,00	Sec 40(1)(a)(v) - exceptional case	Spare parts for the repair of roller is only available from the local agent.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
NOVEMBER 2016				
Community	Gibb	63 969,73	Sec 40(1)(a)(i) - emergency	Gibb is maintaining Mhluzi air quality station on contract for two (2) years, any repairs of analyzer has got to be done through them as the rates for them were identified on the tender documents.
Community	MP Pumps	31 692,00	Sec 40(1)(a)(i) - emergency	The pipe systems at Kees Taljaard was damaged, causing the swimming pool to be in a bad state.
Infrastructure	MP Bezuidenhout	96 691,95	Sec 40(1)(a)(i) - emergency	Emergency sewer spillage and broken sewer line repair.
Community	Middelburg Truck	47 063,60	Sec 40(1)(a)(i) - emergency	Left rear side shaft and taper roller bearing vehicle used for grass fires.
Community	Jebtie	5 207,30	Sec 40(1)(a)(i) - emergency	Clutch broken and the truck is used for water delivery for structural fires.
Infrastructure	Kwena Water	161 677,94	Sec 40(1)(a)(i) - emergency	Steel pipes for Skietbaan reservoir were leaking.
Community	Pridi	20 904,49	Sec 40(1)(a)(i) - emergency	Newtown community were threatening to disrupt the project of the upgrading of Boskrans water works treatment plant.
Infrastructure	AC Electromech	139 602,00	Sec 40(1)(a)(i) - emergency	To ensure protection of the new motor and sustain water supply to the entire Middelburg area.
Infrastructure	Mayivuthe Contractors	568 998,23	Sec 40(1)(a)(i) - emergency	To replace faulty miniature substation.
Community	Speedy Panel Beaters	9 883,22	Sec 40(1)(a)(i) - emergency	Bonnet scoop needed repairs as it is the only one used for veld fire.
Infrastructure	Aurecon	84 525,98	Sec 40(1)(a)(i) - emergency	Professional engineers required to investigate the course of an explosion at Lang substation.
Community	Pridi	3 210,42	Sec 40(1)(a)(i) - emergency	Security patrol needed conduct escorts, monitoring and patrol duties in Rockdale.
Infrastructure	Mayivuthe Contractors	649 754,40	Sec 40(1)(a)(i) - emergency	To supply and replace faulty miniature substation at Mhluzi.
Infrastructure	Mayivuthe Contractors	493 523,10	Sec 40(1)(a)(i) - emergency	Locate and repair 11 KVA cables faults around MP313 area.
Community	UD Trucks	3 748,46	Sec 40(1)(a)(ii) - single provider	Car dealership to provide spare parts.
Community	Middelburg Nissan	9 097,20	Sec 40(1)(a)(ii) - single provider	Car dealership to provide spare parts.
Community	Syco Machiners	11 120,27	Sec 40(1)(a)(ii) - single provider	They are the manufacturer of the brake testing equipment.
Community	UD Trucks	11 873,10	Sec 40(1)(a)(ii) - single provider	Car dealership to provide spare parts.
Community	Syco Machiners	55 449,60	Sec 40(1)(a)(ii) - single provider	They are the manufacturer of the brake testing equipment.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	CSIR	40 500,78	Sec 40(1)(a)(ii) - single provider	They are the only accredited laboratory for the analyzers.
Community	High Power Equipment	7 127,58	Sec 40(1)(a)(ii) - single provider	Car dealership to provide spare parts.
Community	Truvelo	5 601,00	Sec 40(1)(a)(ii) - single provider	They are the manufacturer of the motor cycle skills test equipment.
Community	Truvelo	116 000,00	Sec 40(1)(a)(ii) - single provider	Battery lead acid sealed rechargeable and cable power was faulty.
Municipal Manager	Radio Kragbron	22 038,00	Sec 40(1)(a)(ii) - single provider	Broadcast in English and Afrikaans to the community.
Corporate	Trjeka Training	17 097,72	Sec 40(1)(a)(ii) - single provider	They are the only service provider to conduct in Zulu.
Infrastructure	Sherenco	38 486,40	Sec 40(1)(a)(ii) - single provider	They are the only Stihl supplier in Middelburg.
Infrastructure	Instru-Serve	41 258,88	Sec 40(1)(a)(ii) - single provider	Upgrading telemetry system at Middelburg Dam inflow.
Infrastructure	OH Frewin	117 606,68	Sec42(1)(a)(iii) - special	Time limit makes it impossible to follow SCM processes as the launching of led is near. OH Frewin is the local supplier to do it in a short time.
Corporate	Jonti Tenders	10 461,00	Sec 40(1)(a)(v) - exceptional case	As per resolution M50/06/2011, Council specified the newspaper the Council should utilized for placement of that specific adverts for top management positions.
Community	Auto Cab	9 097,20	Sec 40(1)(a)(v) - exceptional case	They supplied the engine and they are required to service it.
Infrastructure	Bongumcedi	52 934,00	Sec 40(1)(a)(v) - exceptional case	They discovered the need while busy with storm water drainage to upgrade diameter size of the pipe at the connection point.
Municipal Manager	Zeela	68 000,00	Sec 40(1)(a)(v) - exceptional case	The STLM planned to buy umbrellas for elders, due to high prices quoted they decided to go for second option.
Infrastructure	IX Engineers	449 585,22	Sec 40(1)(a)(v) - exceptional case	Numerous electrical faults are being experience on the control centre.
Finance	Juta	1 884,00	Sec 40(1)(a)(v) - exceptional case	Juta was selling the book at 20% discount.
Corporate	Sizwe IT	39 232,19	Sec 40(1)(a)(v) - exceptional case	They are contractors on site doing desktop for STLM.
Municipal Manager	Motion Perfection	8 464,98	Sec 40(1)(a)(v) - exceptional case	The supplier has done the first phase of the project, the leg is the continuation of the project.
Community	Tsoga	185 465,39	Sec 40(1)(a)(v) - exceptional case	The security tender came to an end, the new one still on process for bids.
Municipal Manager	Themba Lokulunga	1 440,00	Sec 40(1)(a)(v) - exceptional case	More transport needed for the ward committee members at Hendrina.
Community	Mechanibike	17 358,00	Sec 40(1)(a)(v) - exceptional case	They are the only supplier willing to give detailed quotation on bikes, and the bikes were bought from them.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
DECEMBER 2016				
Community	Born to Protect	582 282,19	Sec 40(1)(a)(i) - emergency	The security tender expired and the new one is in the process of being evaluated.
Infrastructure	Gamela Training	51 411,00	Sec 40(1)(a)(i) - emergency	Aerator gearbox for aeration basin at Boskrans broke down and needed repairs.
Infrastructure	Essaks	2 995,92	Sec 40(1)(a)(i) - emergency	Essaks supplies the custom manufactured wire racks.
Community	Middelburg Truck & Trailer	2 126,10	Sec 40(1)(a)(i) - emergency	The knob was broken and the gear lever damaged the drivers' hand.
Community	LIC Technical	10 177,86	Sec 40(1)(a)(i) - emergency	Timing belt broke and needed urgent repairs.
Community	Fofu Security	9 121,14	Sec 40(1)(a)(i) - emergency	Security services required to patrol during the land invitation by community.
Community	Pridi	7 147,80	Sec 40(1)(a)(i) - emergency	Security services required to patrol during the land invitation by community.
Community	Pridi	5 472,00	Sec 40(1)(a)(i) - emergency	Security services required to patrol during the land invitation by community.
Community	Protass	66 963,60	Sec 40(1)(a)(i) - emergency	Security services required to patrol during the land invitation by community.
Community	Hill & Associate	192 000,00	Sec 40(1)(a)(i) - emergency	Since the company prepared preliminary designs they were recommended to prepare detailed designs and assist with tender letting for construction.
Infrastructure	Mayivuthe	36 017,16	Sec 40(1)(a)(i) - emergency	The SAE substation was vandalized and some of the cable was damaged.
Community	Khisama	11 200,00	Sec 40(1)(a)(i) - emergency	Waste removal truck broke down and needed urgent repairs.
Community	Hoëveld Radiators	13 971,84	Sec 40(1)(a)(i) - emergency	Waste removal truck broke down and needed urgent repairs.
Community	Hoëveld Radiators	3 862,32	Sec 40(1)(a)(i) - emergency	Waste removal truck broke down and needed urgent repairs.
Community	Khisama Mining	7 418,00	Sec 40(1)(a)(i) - emergency	Waste removal truck broke down and needed urgent repairs.
Community	Khisama	9 300,00	Sec 40(1)(a)(i) - emergency	Waste removal truck broke down and needed urgent repairs.
Community	Middelburg Truck & Trailer	5 483,40	Sec 40(1)(a)(i) - emergency	Petrol tank broke down and needed urgent repairs.
Community	AV Auto Electricals	4 205,35	Sec 40(1)(a)(i) - emergency	Machine used at the cemeteries broke down and needed urgent repairs.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Middelburg Truck & Trailer	2 599,20	Sec 40(1)(a)(i) - emergency	Waste removal truck broke down and needed urgent repairs.
Community	Middelburg Truck & Trailer	3 264,10	Sec 40(1)(a)(i) - emergency	Vehicle used to transport fire personnel.
Infrastructure	Mayivuthe	73 575,60	Sec 40(1)(a)(i) - emergency	Fire wall broke at Blinkpan during heavy storm.
Community	Bonakgopa	6 954,00	Sec 40(1)(a)(i) - emergency	Waste removal truck broke down and needed urgent repairs.
Community	Van Wettens	2 109,00	Sec 40(1)(a)(i) - emergency	Vehicle did not select gears.
Community	Van Wettens	4 156,44	Sec 40(1)(a)(i) - emergency	Vehicle used for house fire.
Finance	G4S	11 957,01	Sec 40(1)(a)(ii) - single provider	They are contracted to Council.
Infrastructure	Afrilab	4 121,10	Sec 40(1)(a)(ii) - single provider	Afrilab is the sole distributor of these instrument.
Infrastructure	Afrilab	57 812,82	Sec 40(1)(a)(ii) - single provider	Afrilab is the sole distributor of these instrument.
Community	Poly Comp	675,00	Sec 40(1)(a)(ii) - single provider	Single providers of tickets dispensers.
Community	Barloworld	5 144,33	Sec 40(1)(a)(ii) - single provider	Vehicle still under guarantee with Toyota.
Infrastructure	Thom Ndlovu Land Surveyor	829 894,79	Sec 40(1)(a)(v) - exceptional case	Pegs installed during township establishment of Newtown Extension were stolen.
Community	Auto Motor	74 017,92	Sec 40(1)(a)(v) - exceptional case	The interception was installed by Automotor and is still under warrantee.
Finance	Juta & Company	2 432,31	Sec 40(1)(a)(v) - exceptional case	Books needed to help finance in preparation of 2016/2017 financial statements.
Community	Mechanibike	8 439,00	Sec 40(1)(a)(v) - exceptional case	Mechanibike is the only supplier willing to give detailed quotes.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
JANUARY 2017				
Infrastructure	Gamela Training & Projects	47 611,00	Sec 40(1)(a)(i) - emergency	One (1) generator gearbox for generation basin at Boskrans WWTW was urgently taken out for strip and quote, after being out of order. Urgently required because allows operation of generators for supply of oxygen into raw water and production of water quality that meets SANA 241 requirements.
Community	Modise Protection Services	22 344,00	Sec 40(1)(a)(i) - emergency	Forty (40) security officers were required to conduct access control, maintain order, patrol of parking areas & stadium as a whole during the Steve Tshwete Moral Regeneration event at Themba Senamela Stadium on 31 December 2016.
Community	Born to Protect Security	4 394,00	Sec 40(1)(a)(i) - emergency	Ten (10) security officers were required to conduct access control, maintain order, patrol of parking areas & stadium as a whole during the Steve Tshwete staff year end function at Kees Taljaard Stadium on 15 December 2016.
Infrastructure	Armcoil Africa (Pty) Ltd	383 562,12	Sec 40(1)(a)(i) - emergency	Urgent repair of medium voltage transformer 1 MVA and 500 KVA transformer by service provider (strip and quote).
Infrastructure	Kgwebiswano Supplies	60 420,00	Sec 40(1)(a)(i) - emergency	Urgent service required by service provider to replace faulty ring main unit at Sein Heuwel substation and Hypoxis Street at Robertson. Service provider only one available on short notice.
Infrastructure	Mayivuthe Contractors	407 162,40	Sec 40(1)(a)(i) - emergency	An urgent service required by service provider to supply and installation of medium voltage cable 150mm 2 x 3 core XLPE and supply & installation of medium voltage cable joint 150mm.
Infrastructure	Kgwebiswano Supplies	217 193,94	Sec 40(1)(a)(i) - emergency	An urgent service required by service provider to locate the faults on the cable (1KV / 400 V), supply of medium voltage joint kits around MP313 license area.
Infrastructure	Mayivuthe Contractors CC	529 850,63	Sec 40(1)(a)(i) - emergency	An urgent service required from service provider to supply and replace faulty miniature substation at Verdoorn miniature substation. Service urgent required and no stock available at stores. Service provider only one that is available on short notice and have stock available.
Community	Born To Protect Security	25 992,00	Sec 40(1)(a)(i) - emergency	Urgent security services required at municipal buildings following the eviction of Ext 6 land invaders. Community were threatening to damage all municipal properties and threatening of personnel.
Community	Huntrex (Pty)Ltd	299 250,00	Sec 40(1)(a)(i) - emergency	Urgent security services required at Extension 6 erven 9058 & 9057 to prevent community members from demarcating pegging and/or subdividing stands.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Pridi Security Services	106 704,00	Sec 40(1)(a)(i) - emergency	Urgent security services required at home of mayor and some councillors following the eviction of Extension 6 land invaders. Community were threatening to damage all municipal properties and burn down the homes of the mayor and some councillors.
Finance	Season's Find 704 CC	387 000,00	Sec 40(1)(a)(i) - emergency	Current service provider that have the contract with STLM cannot deliver and tanks are running dry and will have an interruption in essential services.
Community	McCarthy Holdings	2 501,20	Sec 40(1)(a)(i) - emergency	Emergency replacement of Amarok, HFP337MP brake pads. Vehicle is being utilized for responding calls.
Community	LIC Tech Service Solutions	5 279,69	Sec 40(1)(a)(i) - emergency	Emergency repairs on SAMIL 100, BMH153MP gears and clutch master cylinder. Vehicle is being utilized for house fires.
Community	LIC Tech Service Solutions	23 562,19	Sec 40(1)(a)(i) - emergency	Emergency repairs on injectors of vehicle DPJ207MP. Vehicle is being utilized for veld fires.
Community	Protass (Pty) Ltd	81 544,20	Sec 40(1)(a)(i) - emergency	Urgent security services required at municipal buildings in anticipation of violence by the Extension 6 eviction of land invaders on 14 December 2016.
Infrastructure	Kgwebiswano Supplies	220 766,70	Sec 40(1)(a)(i) - emergency	Urgent service is required from service provider to supply and re-install the ABC bundle conductor and wooden poles & re-construction of the overhead line at Hendrina Kwazamokuhle Extension 6 & 7.
Community	Middelburg Truck & Trailor Spares CC	6 056,70	Sec 40(1)(a)(i) - emergency	Emergency repairs of vehicle required. When engage pump its build up huge smoke and the vehicle need to be repaired urgently because utilized for accident and house fire calls.
Community	Pridi Security Services	120 042,00	Sec 40(1)(a)(i) - emergency	Urgent security services required at councillors homes who are under threat by Extension 6 community members who were evicted from Extension 6 and other surrounding areas.
Community	Modise Protection Services	29 138,40	Sec 40(1)(a)(i) - emergency	Urgent security services required at municipal buildings in anticipation of violence by Extension 3 land invaders.
Finance	Mid Alarms	240,00	Sec 40(1)(a)(ii) - single provider	Council has entered into contract with service provider for alarm system at Mhluzi pay point.
Finance	Mid Alarms	240,00	Sec 40(1)(a)(ii) - single provider	Add new employee on current alarm system at data section, main office.
Infrastructure	Pro-Lab Supplies	7 990,26	Sec 40(1)(a)(ii) - single provider	Pro-lab supplies supply of PH and conductivity electrodes for Hanna meters. Service provider is sole supplier of said meters.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	BB Truck Middelburg (Pty) Ltd	4 303,04	Sec 40(1)(a)(ii) - single provider	Part of vehicle that need to be replaced is only available at the agent.
Infrastructure	BB Truck Middelburg (Pty) Ltd	14 779,49	Sec 40(1)(a)(ii) - single provider	Parts of vehicle that need to be replaced is only available at the agent.
Finance	Mid Alarms	240,00	Sec 40(1)(a)(ii) - single provider	Council has entered into contract with service provider. Change of user codes at rates hall pay point.
Community	Abafazi Health Care	57 960,00	Sec 40(1)(a)(ii) - single provider	Service provider is sole provider and manufacturer of said blood alcohol kits.
Community	Bell Equipment Sales (SA) Ltd	11 180,27	Sec 40(1)(a)(ii) - single provider	Parts of vehicle that need to be replaced is only available at the agent.
Community	Bell Equipment Sales (SA) Ltd	6 823,81	Sec 40(1)(a)(ii) - single provider	Parts of vehicle that need to be replaced is only available at the agent.
Corporate	Braby's (Pty) Ltd	11 394,30	Sec 40(1)(a)(ii) - single provider	STLM has a need for specially designed maps with specific graphics for visitors in and around Middelburg.
Infrastructure	Tswelopele Plants CC	1 712 337,00	Sec 40(1)(a)(v) - exceptional case	Development of basic sport facilities in Somaphepha & Doornkop with furniture, paving and poles. Timeframes were given by Treasury that MIG funds need to be spend otherwise the municipality's funds will be withdrawn.
Infrastructure	Tswelopele Plants CC	1 128 486,00	Sec 40(1)(a)(v) - exceptional case	Development of basic sport facilities in Somaphepha & Doornkop with furniture, paving and poles. Timeframes were given by Treasury that MIG funds need to be spend otherwise the municipality's funds will be withdrawn (Chromeville park development).
MM	Jeffrey Transport Services	20 150,00	Sec 40(1)(a)(v) - exceptional case	Service provider could not provide service and late requirement from service provider to transport grade 12 learners to matric prayer 2016.
Community	Auto Carb	2 500,00	Sec 40(1)(a)(v) - exceptional case	Battery was stolen where vehicle was standing in town. Service provider assist department in this regard to replace battery.
Infrastructure	Aphane Consulting	66 074,40	Sec 40(1)(a)(v) - exceptional case	Drafting of engineer construction plans for concrete slab at Eastdene community hall.
Infrastructure	Aphane Consulting	191 143,80	Sec 40(1)(a)(v) - exceptional case	Drafting of engineer construction plans for repair of roof at Mandla Masango building (24 Hour Centre).
Infrastructure	Imvusa Trading 874 CC	26 630,00	Sec 40(1)(a)(v) - exceptional case	Strip and quote on refurbishment of the engine for vehicle DZK291MP.
Municipal Manager	Ndalo Hotel & Conference	202 005,00	Sec 40(1)(a)(v) - exceptional case	A suitable venue is needed to host the municipal annual strategic planning lekgotla. It was impractical to follow normal tender process.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Zanezi Electronics CC	18 173,88	Sec 40(1)(a)(v) - exceptional case	Robot at Totuis & Dr. Beyers Naudé Street is situated at entrance of Mhluzi and due to end of month, high volume of traffic and complains received from public the robot need to be repaired as a matter of urgency.
Community	Zanezi Electronics CC	18 173,88	Sec 40(1)(a)(v) - exceptional case	Robot at Totuis & Dr. Beyers Naudé Street is situated at entrance of Mhluzi and due to end of month, high volume of traffic and complains received from public the robot need to be repaired as a matter of urgency.
Community	The Spare Shop Middelburg CC	2 592,46	Sec 40(1)(a)(v) - exceptional case	Service provider currently experienced TAC problems and additional quote has to be obtained to urgently replace the required part.
Community	K 2014088041 (Pty) Ltd	17 701,91	Sec 40(1)(a)(v) - exceptional case	The service provider has already strip and quote the vehicle.
Community	Mechanibike	10 966,00	Sec 40(1)(a)(v) - exceptional case	The service provider is the only dealer in and around Middelburg that provide detailed quotations and the bikes were procured from the said company.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
FEBRUARY 2017				
Infrastructure	Verotest Holdings (Pty) Ltd	34 130,64	Sec 40(1)(a)(i) - emergency	Emergency repairs required to repair surge generator (testing machine). Equipment must be available for immediate use. If not repaired no cable faults could be located and repaired.
Infrastructure	Aurecon South Africa	278 051,42	Sec 40(1)(a)(i) - emergency	An urgent service is required to normalize supply at Lang substation. Recommended supplier has done the initial assessment and it will be quicker and more cost effective to have them continue with the work.
Infrastructure	Johan Meiring Prof Land Surveyor	8 014,20	Sec 40(1)(a)(i) - emergency	Urgent need to identify boundary pegs of the last row of stands at Tokologo and Rietfontein for the purpose of implementing court order on the demolishing of illegal shacks. Service provider can render service as a matter of urgency.
Infrastructure	Mayivuthe Contractors CC	370 374,60	Sec 40(1)(a)(i) - emergency	Urgent service is required for the service provider to locate, supply of medium voltage joint kits and repair 11 KV / 400 V cable faults around MP313 license area and installation cable between Gilfillian substation to CR Swart School. Power need to be repaired.
Community	Mafeta Security Services	130 320,33	Sec 40(1)(a)(i) - emergency	Security services urgently required at SAE substation / mid-way / near Kees Taljaard rugby stadium / Lilian Ngoyi substation Street stretching to the fire department due to incidents of copper cable theft. Security guards also posted at Sipres substation to prevent cable theft.
Community	Red Ant Security Relocation & Eviction	769 500,00	Sec 40(1)(a)(i) - emergency	Urgent services for eviction / demolition and removal of material at erven 9058 / 9057, Extension 6 Mhluzi is needed in order to clean up the area.
Community	Born to Protect Security	22 221,38	Sec 40(1)(a)(i) - emergency	An urgent service required by service provider to protect compactor that is stationed at Hendrina services centre and to protect other assets within the premises.
Community	Born to Protect Security	8 788,00	Sec 40(1)(a)(i) - emergency	Security services were requested to render security services at Naledi and Lesedi villages and Council meeting in order to maintain order on 2017/01/21 & 2017/01/24.
Community	Born to Protect Security	1 164 564,38	Sec 40(1)(a)(i) - emergency	Rendering of security services by company for period of two (2) months due to end of contract period of security tender. New bid currently still in evaluation process.
Infrastructure	Aquatronics CC	95 251,56	Sec 40(1)(a)(i) - emergency	Raw sewage pump to pump no.1 for Boskrans pump station's rotating assembly has worn out and need to be replaced as a matter of urgency to prevent sewage overflowing into nearby river.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Corporate	Sizwe Media Production & Communications	40 000,00	Sec 40(1)(a)(ii) - single provider	Bongani Gumede, a popular character as Mandla Ndlovu on Isibaya Telenovela soapie to be municipality's brand ambassador during online vending system roadshow in February 2017.
Finance	Fidelity Cash Solutions	1 030,56	Sec 40(1)(a)(ii) - single provider	Service provider only provider of said cash bags for a bags.
Infrastructure	Instru-Serve CC	20 930,00	Sec 40(1)(a)(ii) - single provider	Service provider is the sole supplier of required display unit.
Community	Marce Firefighting Technologies	29 070,00	Sec 40(1)(a)(ii) - single provider	Only service provider to service TNT rescue set to maintain life time warranty.
Community	Gibb Engineering & Architecture	38 408,00	Sec 40(1)(a)(v) - exceptional case	Service provider is current service provider who maintain the Mhluzi air quality station on a contract for two (2) years.
Infrastructure	Hlula Training Solutions (Pty)	10 000,00	Sec 40(1)(a)(v) - exceptional case	Service provider required to improve leadership skills of supervisors & managers at electrical department mini lekgotla. Single quote was obtained due to service provider capabilities and proven track record.
Infrastructure	Aurecon South Africa	136 800,00	Sec 40(1)(a)(v) - exceptional case	Service provider was appointed to verify assets and update asset register (BS03/02/2014). Process still in progress and company has to verify and componentizing assets for 2016/2017 financial year.
Infrastructure	Thom Ndlovu Land Surveyor CC	54 720,00	Sec 40(1)(a)(v) - exceptional case	Current service provider performing on project was not acceptable and due to several warnings his services were not improved. The contract was cancelled. The required project could also not be completed by subcontracted service provider and therefor quotations were obtained for a new company to complete the surveying work as required.
Infrastructure	Ngobeni Geomatic Surveyors Trading	182 400,00	Sec 40(1)(a)(v) - exceptional case	Current service provider performing on project was not acceptable and due to several warnings his services were not improved. The contract was cancelled. The sub contracted supplier was requested to complete the project. The pegging of the township was completed but general plan could not be completed. Company required to complete the surveying work.
Corporate	Art House Films	80 000,00	Sec 40(1)(a)(v) - exceptional case	Publicity and marketing of municipality through specific national media houses for investment opportunities. Service provider facilitates the appointment of the slot at a reasonable cost.
Infrastructure	CT Lab	122 835,00	Sec 40(1)(a)(v) - exceptional case	Contract of current service provider has ended in November 2016. Bid was advertised for new contract and still in process. Current service provider required to render services until new provider is appointed.
Municipal Manager	OH Frewin Printers	55 404,00	Sec 40(1)(a)(v) - exceptional case	Municipality has identified and approached a few printing companies regarding the design, development and printing of STLM's LED strategy in booklet form.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Corporate	Iguana Studios	13 950,00	Sec 40(1)(a)(v) - exceptional case	Service provider was appointed for videography and photography for the inauguration of executive mayor. Service provider is in possession of original pictures & design the photo album.
Corporate	Ronin Systems Solutions	60 420,00	Sec 40(1)(a)(v) - exceptional case	The Gholfsig mast was extended and cable trays need to be installed on the mast. The original installer has to do the work to enable the municipality to keep the warrantee.
Community	Mafeta Security Services	82 131,50	Sec 40(1)(a)(v) - exceptional case	Security services required at financial pay points until tender is awarded for period of 36 months. Services required to create a feeling of security to clients and personnel and to protect the assets.
Infrastructure	Unlimitz Occupational Health Services	40 500,00	Sec 40(1)(a)(v) - exceptional case	It's a requirement for employees who working directly with waste to be vaccinated (hepatitis b) during medical surveillance.
Corporate	Fast & Working MP Telecomms	850,00	Sec 40(1)(a)(v) - exceptional case	Service provider has installed the service at Hendrina fire station and is under warranty.
Corporate	Breakthrough Development	34 200,00	Sec 40(1)(a)(v) - exceptional case	Single quotation was obtained for motivational speaker at municipal strategic planning session (lekgotla). The required service provider was requested to provide quote due to his managing director's capabilities as well as proven track record on "effective" leadership.
Finance	Middelburg Masiteng Meter Readings	54 813,13	Sec 40(1)(a)(v) - exceptional case	Meter reading contract for water and electricity has ended. It is not probable to get new service provider to perform the work for the next 6 months due to the inception of new mSCOA system. Future contract will also include disconnections of meters for non-payments.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
MARCH 2017				
Infrastructure	Mayivuthe Contractors	664 380,00	Sec 40(1)(a)(i) - emergency	Urgent service is required from contractor to supply and replace faulty miniature substation in Eastdene, the municipal stores don't have spare miniature substation to provide.
Community	Born-to-Protect Security Services	604 503,57	Sec 40(1)(a)(i) - emergency	The security tender has served at the bid adjudication committee. It is expected that a service provider will be appointed soon. However security services are required at Council buildings while the tender process is being finalized.
Community	Mafeta-Napogadi Trading & Projects	59 537,82	Sec 40(1)(a)(i) - emergency	Seven (7) graded security officers must guard and patrol at the pay points while the tender is being finalized for a period of one (1) month.
Community	Modise Protection Services	5 700,00	Sec 40(1)(a)(i) - emergency	Security officers were needed to render services during the launching of the online internet vending on 23/02/2017 and 24/02/2017. Born-to-Protect indicated at the last minute that they had no capacity to provide security services as the company was experiencing financial problems.
Community	Mafeta-Napogadi Trading & Projects	90 953,00	Sec 40(1)(a)(i) - emergency	SAE substation was vandalized, cables were stolen and the alarm system was damaged. At Midway there was cable theft and there was cable theft at Lillian Ngoyi Street.
Community	Mafeta-Napogadi Trading & Projects	343 950,40	Sec 40(1)(a)(i) - emergency	It is expected that the appointment of the new service provider will be made soon. However security services are required at the Council's electrical substations and other areas where cable theft is a problem while the appointment of the service provider is being finalized.
Community	Mafeta Security Services	81 450,45	Sec 40(1)(a)(i) - emergency	Security officers were posted to patrol around the transformers and distribution boxes to prevent cable theft.
Community	Fire Raiders (Pty) Ltd	57 916,05	Sec 40(1)(a)(i) - emergency	Provider manufactured fire engine. Service and repairs need to be done in order to ensure fire engine are operational at all times.
Community	NJG Panel Beaters t/a Speedy Panel Beaters	21 511,80	Sec 40(1)(a)(i) - emergency	Emergency repairs on firefighting trailer CCT241MP used for water suctioning at an open water source to assist with fire fighting operation.
Community	Motion Perfection Industries (Pty) Ltd	2 678,94	Sec 40(1)(a)(i) - emergency	Emergency repairs water damage siren and park light globes for Iveco daily HNL393MP. Vehicle used for responding to accidents calls.
Community	Motion Perfection Industries (Pty) Ltd	2 234,72	Sec 40(1)(a)(i) - emergency	The vehicle is used for veld fire calls.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Imvusa Trading 874 CC	8 900,00	Sec 40(1)(a)(i) - emergency	Quotation was requested from different upholstery companies but they are not registered on CSD, this is the only company that can help with fixing the seats.
Infrastructure	Schneider Electrical	488 140,00	Sec 40(1)(a)(i) - emergency	An urgent service required from the service provider to supply and replace faulty medium voltage switchgear, should the SF6 11KV double extensible 200A circuit breaker not being replaced it could result in overloading of the network and elongated power outage.
Community	Motion Perfection Industries (Pty) Ltd	7 169,15	Sec 40(1)(a)(ii) - single provider	Emergency repairs for Tata FRX549MP, the vehicle had to be jumped every day when the vehicle had to be checked for the preparation of any incident.
Community	Jebtie Properties Delmas CC	3 949,27	Sec 40(1)(a)(ii) - single provider	Vehicle is used to respond to calls in Hendrina (HNL393MP).
Community	Truvelo Electronics Division (Pty) Ltd	14 255,15	Sec 40(1)(a)(ii) - single provider	This company is the sole provider and manufacturer of this machine.
Infrastructure	S.A.M.E. Water	62 233,74	Sec 40(1)(a)(ii) - single provider	This will enable the screening process to work effectively at the inlet works, and ensure maximum removal of material that could damage pumps and motors. S.A.M.E. water is the sole supplier of this unit and as a result repairs and supply would be done by them.
Community	Evritek	20 583,84	Sec 40(1)(a)(ii) - single provider	Spares only available from agency, repairs can also be done by the specific agent.
Corporate	LTR Technology	4 155,98	Sec 40(1)(a)(ii) - single provider	LTR Technology is the sole provider for manage engine ad audit software.
Infrastructure	Selectech (Pty) Ltd	3 488,40	Sec 40(1)(a)(ii) - single provider	A colour meter used for quality analysis is due for its annual calibration to ensure that it works effectively and reliable. The instrument is supplied by Selectech who are the sole distributor of these Lovibond units.
Community	Lacove Lock Smith CC t/a Krabo	2 458,00	Sec 40(1)(a)(ii) - single provider	Senior licensing officer P. Hlaethwa at Hendrina is resigning at the end of this month, therefore combination of drop safe she is using need to be cleared and a new combination to be set. Drop safe was purchased from them.
Finance	Fidelity Cash Solutions (Pty) Ltd	104,98	Sec 40(1)(a)(ii) - single provider	Fidelity is the only service provider for the key bag.
Corporate	Early Worx 282 (Pty) Ltd	9 713,70	Sec 40(1)(a)(ii) - single provider	Early Worx the sole service provider to service and provide electronic stamps for Council's franking machine.
Corporate	Early Worx 282 (Pty) Ltd	75 000,00	Sec 40(1)(a)(ii) - single provider	Early Worx be appointed as service provider for a period of 12 months

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Finance	Juta & Company (Pty) Ltd	1 961,31	Sec 40(1)(a)(ii) - single provider	Juta (Pty) Ltd is the only publishing company that publishes GRAP handbook, which is currently offered at 20% discount.
Community	Fire Protection Association of Southern Africa	16 917,00	Sec 40(1)(a)(ii) - single provider	Fundamentals of fire investigation training for two personnel members. From 8 to 12 May 2017.
Corporate	Cibecs	143 728,98	Sec 40(1)(a)(ii) - single provider	Cibecs (Pty) Ltd is the software vender of Cibecs continuity software.
Corporate	Sizwe Media Production	40 000,00	Sec 40(1)(a)(ii) - single provider	Availability of Bongani Gumede Isibaya actor as a brand ambassador and attract more residents to register as users of the online vending system during a roadshow on 23 and 24 February 2017.
Infrastructure	Bonakgopa (Pty) Ltd	18 756,32	Sec 40(1)(a)(v) - exceptional case	Gearbox was stripped and checked by supplier and it was discovered that the clutch kit was damaged, therefore to avoid strip & quote expenses it is advisable that the supplier continues with repairs.
Corporate	Admirable & Innovation Maintenance (Pty) Ltd	2 830,00	Sec 40(1)(a)(v) - exceptional case	Rendered engine and car wash services to mayoral and Council vehicles for the period of February 2017.
Community	Fire Raiders (Pty) Ltd	23 991,98	Sec 40(1)(a)(v) - exceptional case	To ensure vehicle are not returned within a short time frame repairs need to be affected and on water pump to minimize possibilities of pump failure whilst busy pumping on fire.
Community	Vibrocrush CC t/a Mechanibike	2 272,00	Sec 40(1)(a)(v) - exceptional case	Mechanibike is the only supplier willing to give detailed quotations.
Infrastructure	Fr Hattingh t/a Dickason & Son CC	11 573,28	Sec 40(1)(a)(v) - exceptional case	Take parts from the company to solve the break down, so that we can help the community.
Community	Automotor	12 763,44	Sec 40(1)(a)(v) - exceptional case	The intersection was installed by Automotor Traffic Signals and it is under guarantee. Therefore it is impractical to follow the official supply chain processes because the guarantee will fall away.
Community	Auto Motor Traffic Signals	7 842,06	Sec 40(1)(a)(v) - exceptional case	There is a delay of traffic flow in Sondagrivier and Dr. Mandela drive traffic light.
Community	Alpha Agri Landini t/a Alpha Agri Implement CC	23 892,54	Sec 40(1)(a)(v) - exceptional case	Repair ignition, supply battery 0672, meter hours BTG324MP.
Corporate	Payroll Education Pty Ltd	36 980,00	Sec 40(1)(a)(v) - exceptional case	Payroll education offers generic course that is applicable to all industries.
Corporate	Jonti Tenders	31 714,41	Sec 40(1)(a)(v) - exceptional case	The posts must be advertised as a matter of urgency all the time and the fact that the prices fluctuates every month with all the services providers it becomes impractical to ask for quotes that must be advertised for seven days on the internet.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Sivuthumlilo JV Lemjo Trading (Pty) Ltd	1 448 883,00	Sec 40(1)(a)(v) - exceptional case	This is Kwazamokuhle Extension 8 project which was approved in terms of Council resolution M05/02/2017.
Infrastructure	Sivuthumlilo JV Lemjo Trading (Pty) Ltd	1 031 187,00	Sec 40(1)(a)(v) - exceptional case	This is Kwazamokuhle Extension 8 project which was approved in terms of Council resolution M05/02/2017.
Community	Automotor Traffic Signal Co.	17 047,56	Sec 40(1)(a)(v) - exceptional case	The traffic signals at the intersection of Hendrina Road Extension 24 was installed by Automotor Traffic Signal in 2016, and it is still under guarantee for five years.
Community	Nomzamo Mbatha Investments	30 000,00	Sec 40(1)(a)(iii) - acquisition of special works	Ms. Mbatha through her life profile she is the one that is suitable to motivate young woman who are in leadership it is impractical to follow official supply chain process.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
APRIL 2017				
Infrastructure	BB Truck Middelburg (Pty) Ltd	18 408,06	Sec 40(1)(a)(i) - emergency	Emergency repairs to supply and fit air compressor for brakes on truck HPM297MP. Only truck offering services in central town of Middelburg and need to be repaired to avoid service delivery delays.
Infrastructure	Matuyane Civils	3 001 175,96	Sec 40(1)(a)(i) - emergency	An emergency service to be done to appoint a contractor for this service and due to the fact that it is a MIG project and funds have to be spend before end of current financial year otherwise funds will be re-allocated to another municipality.
Community	Mafeta Nepogadi Trading & Projects	638 028,50	Sec 40(1)(a)(i) - emergency	Newly appointed contractor to render security services can only started on the 1 May 2017. Urgent security services required for the month of April at certain vulnerable electrical posts.
Infrastructure	Dot Spares CC	15 804,16	Sec 40(1)(a)(i) - emergency	Urgent repairs required for said vehicle to repair stuck push plate, manufacture new slides and pins for push plate. Only vehicle on offering for services in central town of Middelburg.
Community	Mafeta Nepogadi Trading & Projects	40 725,22	Sec 40(1)(a)(i) - emergency	Security services urgently required at Extension 24 pump station to guard the premises and prevent theft of copper cables.
Corporate	Eastvaal Motors (Pty) Ltd	3 099,85	Sec 40(1)(a)(ii) - single provider	Service provider only authorized dealer in Middelburg that can service the said vehicle.
Infrastructure	Barloworld Toyota (Pty)Ltd	7 156,08	Sec 40(1)(a)(ii) - single provider	Vehicle still under warranty and can only be serviced by the said service provider.
Infrastructure	Enviro Options (Pty) Ltd	633 712,32	Sec 40(1)(a)(ii) - single provider	Biological toilets required due to a trail that was initiated by the municipality based on the council resolution to investigate biological toilets that suit the needs of the community and it was indicated by the community that the preferential biological toilets was a Enviro loo model.
Community	Truvelo Africa Electronics Division (Pty) Ltd	15 245,30	Sec 40(1)(a)(ii) - single provider	Service provider is the sole provider and manufacturer of installed equipment. Removed equipment need to be replaced and calibrated to ensure compliance with predetermined standards. CAS16/02/2017 was registered at Hendrina SAPS for stolen equipment.
Infrastructure	Bell Equipment Sales South Africa (Ltd)	35 117,97	Sec 40(1)(a)(ii) - single provider	Parts to repair the steering of vehicle are only available from the agents.
Infrastructure	Barloworld Toyota (Pty)Ltd	11 055,29	Sec 40(1)(a)(ii) - single provider	Only the dealership can do the warranty service of the said vehicle until 100 000 km.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Qembu (Pty) Ltd (Solly's Middelburg)	6 642,81	Sec 40(1)(a)(ii) - single provider	Warranty service can only be done by the said service provider.
Community	McCarthy Volkswagen	12 119,30	Sec 40(1)(a)(v) - exceptional case	Vehicle current under service plan but additional faults were identified that are not covered by the service plan. Impractical to repair by other service provider as the one with the service plan.
Community	Barloworld Toyota (Pty) Ltd	2 213,08	Sec 40(1)(a)(v) - exceptional case	Current vehicle is still under guarantee and rear brake pads of said vehicle need to be replaced by service provider.
Community	Middelburg Truck & Trailer Spares	4 928,50	Sec 40(1)(a)(v) - exceptional case	Repairs of fire truck DTK738MP dipstick broken and vehicle spitting oil on the engine. The said vehicle also started making smoke while driven as well as when we engage the pump to perform emergency services.
Community	Middelburg Truck & Trailer Spares	7 514,00	Sec 40(1)(a)(v) - exceptional case	Repairs of fire truck BMH153MP for valve foot brake pedal, handle 4/2 way valve. Fire truck needed to be ready at all time to perform emergency services.
Corporate	Wits Business School	65 000,00	Sec 40(1)(a)(v) - exceptional case	Wits business school is offering said course in human settlement policy and management programme. It is also the only institution that are recommended by the national human settlement department and that can register students for this programme.
Infrastructure	Actom MV Switchgear	50 644,50	Sec 40(1)(a)(v) - exceptional case	An urgent service is required by the service provider to repair faulty circuit breaker (Actom) at Extension 18 substation. The said service provider is the manufacturer of said equipment.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
MAY 2017				
Infrastructure	Auto Carb	44 000,00	Sec 40(1)(a)(i) - emergency	Vehicle broke down after strip and quote and was returned to supplier for further repairs.
Infrastructure	Mazwabo	7 695,00	Sec 40(1)(a)(i) - emergency	Backlog experienced due to fault on 88KV and the private contractor was required to help attend public complaints.
Community	Van Rooyen Diesel	26 356,80	Sec 40(1)(a)(i) - emergency	Machine used to remove illegal dumping around Middelburg and Hendrina.
Infrastructure	Mayivuthe	142 215,00	Sec 40(1)(a)(i) - emergency	Transformer that feed the Boskrans WWTW got damaged leaving the sludge handling plant without power supply.
Infrastructure	Mazwabo	95 842,65	Sec 40(1)(a)(i) - emergency	Overhead line destroyed by storms in Mineralia.
Finance	Mafeta Napogadi	13 090,12	Sec 40(1)(a)(i) - emergency	Security services required to protect pay points at Komati, Mhluzi and Nasaret pay point.
Community	Bonakgopa	99 864,00	Sec 40(1)(a)(i) - emergency	Machine used to remove illegal dumping around Middelburg and Hendrina.
Infrastructure	Viva Engineering	10 534,48	Sec 40(1)(a)(i) - emergency	Pipe burst resulted to water shortage in Hendrina.
Infrastructure	Golukisha	110 671,20	Sec 40(1)(a)(i) - emergency	To prevent raw sewage from overflowing into nearby rivers.
Corporate	Procom	4 902,00	Sec 40(1)(a)(i) - emergency	Data lines from Civic Centre to testing grounds were down.
Infrastructure	Kgwebiswano Supplies	105 045,30	Sec 40(1)(a)(i) - emergency	There is only two (2) company having testing machines around MP313 area, the other one has been given other areas.
Infrastructure	Mayivuthe	59 097,60	Sec 40(1)(a)(i) - emergency	Removing portion of medium voltage overhead line and joining of medium voltage cable at Extension 24.
Infrastructure	Gamela Training	157 599,30	Sec 40(1)(a)(i) - emergency	The pump broke down and prompted for urgent stripping and assessment.
Infrastructure	Instru-Serve	214 340,00	Sec 40(1)(a)(ii) - single provider	Flow measurement is essential for optimal operation of the plant.
Finance	Bidvest Waltons	3 647,77	Sec 40(1)(a)(ii) - single provider	They are the provider of the shelves which need them to supply the files.
Finance	Payday Software	23 391,00	Sec 40(1)(a)(ii) - single provider	Payday is the current system that is used for salaries and human resources. The training will enable users to effectively use the system that has been updated with new mSCOA updates.
Community	Alta Swanepoel	5 800,00	Sec 40(1)(a)(ii) - single provider	They are the sole service provider for the compiling and updating the National Road Traffic Act.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Corporate	Bidvest Waltons	5 191,56	Sec 40(1)(a)(ii) - single provider	They are the provider of the shelves which need them to supply the files.
Community	Data Dot Technology	28 112,40	Sec 40(1)(a)(ii) - single provider	The service provider supply data dot kits to STLM and are currently contracted to Council.
Infrastructure	Alpha Agri	6 201,59	Sec 40(1)(a)(ii) - single provider	Parts can be obtained from specific suppliers.
Corporate	Sita	2 115 056,64	Sec 40(1)(a)(ii) - single provider	SITA is the sole service provider who is able to pay Microsoft in American dollars.
Corporate	Wam Technology	28 500,00	Sec 40(1)(a)(ii) - single provider	They are the provider of municipal assistant system.
Corporate	Early Worx 282	19 965,84	Sec 40(1)(a)(ii) - single provider	Contracted to Council.
Infrastructure	Huber Technology	4 446,00	Sec 40(1)(a)(v) - exceptional case	Hubber screen require minor repairs to allow continuous operation.
Corporate	Mabuya Transport	29 950,00	Sec 40(1)(a)(v) - exceptional case	They are the manufacturer of municipal pylon.
Corporate	OH Frewin	37 158,98	Sec 40(1)(a)(v) - exceptional case	Printing of annual report.
Infrastructure	Aurecon	552 216,00	Sec 40(1)(a)(v) - exceptional case	The task was advertised more than three (3) times without success, on the fourth time some bidders were non-compliant to tax and Aurecon is the complying bidder.
Corporate	Comm Softety Security	152 745,00	Sec 40(1)(a)(v) - exceptional case	MP traffic college was the one that can accommodate students, other colleges were full
Infrastructure	Tshepo Legodi	379 141,80	Sec 40(1)(a)(v) - exceptional case	The public experience experienced band weather conditions as they have to wait outside when applying for their drivers' license.
Infrastructure	Tshepo Legodi	379 141,80	Sec 40(1)(a)(v) - exceptional case	The public experience experienced band weather conditions as they have to wait outside when applying for their drivers' license.
Community	Red Ant	309 327,60	Sec 40(1)(a)(v) - exceptional case	Security services during the eviction and removal of illegal shacks at Ext 6.
Infrastructure	Dieseltech Engineering	43 771,44	Sec 40(1)(a)(v) - exceptional case	The company did strip before quoting and would be expensive to take it to another service provider.
Finance	Middelburg Masiteng	2 689,68	Sec 40(1)(a)(v) - exceptional case	The meter reading contract held with supplier ended. New tender process will commence upon the inception of new financial system in line with mSCOA.
Corporate	Admirable & Innovation	4 060,00	Sec 40(1)(a)(v) - exceptional case	Procurement of car was still in process of evaluating, will appoint in the new financial year.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Corporate	Disaster Risk Management	40 378,00	Sec 40(1)(a)(v) - exceptional case	Quotation advertised for seven (7) days and only one (1) quote received.
Infrastructure	MP-JA Trading	339 990,00	Sec 40(1)(a)(v) - exceptional case	Quote advertised on website for seven (7) days, only one (1) quote received.
Community	Mafeta Napogadi	24 569,19	Sec 40(1)(a)(v) - exceptional case	Security services required at Extension 24 water pump station due to the burglary that took place.
Community	Born to Protect	604 503,57	Sec 40(1)(a)(v) - exceptional case	The awarded tender was not ready to commence in April, Born to Protect was asked to continue until 30 April 2017.
Community	Born to Protect	6 001,07	Sec 40(1)(a)(v) - exceptional case	To protect the mayor during the door to door public participation at Hendrina on the 18 April 2017.
Community	Born to Protect	18 003,22	Sec 40(1)(a)(v) - exceptional case	Security officers required to protect the councilor at Vaalbank and Rockdale during the public consultative meeting on the 22 April 2017.
Community	Mechanibike	299 800,00	Sec 40(1)(a)(v) - exceptional case	Tender advertised and only two tenders were received on the closing date and time.
Community	Esaaks	2 999,00	Sec 40(1)(a)(v) - exceptional case	Two (2) benches broken down and were hazard to public and were taken back to supplier were it was bought for repairs.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
JUNE 2017				
Community	Van Wettens	3 363,00	Sec 40(1)(a)(i) - emergency	Vehicle broke down and needed urgent towing.
Community	Hydro Radiators	5 677,20	Sec 40(1)(a)(i) - emergency	Machine was urgently needed in Middelburg.
Community	Van Wettens	5 643,00	Sec 40(1)(a)(i) - emergency	Freightliner vehicle broke down on Hendrina Bethal road and needed to be towed.
Community	Qembu Pty Ltd	2 566,97	Sec 40(1)(a)(i) - emergency	The switch can only be supplied by dealer.
Community	Into-Lights	2 607,80	Sec 40(1)(a)(i) - emergency	Removal of illegal dumping on the railway line.
Community	Hydro Radiators	4 902,00	Sec 40(1)(a)(i) - emergency	Truck had a breakdown and it was distracting traffic so it had to be towed.
Infrastructure	VIP Plant Hire	16 370,40	Sec 40(1)(a)(i) - emergency	TLB required for pipe burst in Arnot.
Community	Jebtie Properties	26 119,37	Sec 40(1)(a)(i) - emergency	Fire support vehicle broke down and needed urgent repairs.
Infrastructure	Van Wettens	2 907,00	Sec 40(1)(a)(i) - emergency	Electrician vehicle got stuck in the mud while attending to public complaint and needed some towing service.
Community	Van Wettens	4 959,00	Sec 40(1)(a)(i) - emergency	Unimog fire engine got stuck on a grassfire at Komati and needed towing.
Community	Hydro Radiators	5 677,20	Sec 40(1)(a)(i) - emergency	Machine urgently needed in Middelburg.
Community	Down Low	158 400,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Down Low	158 400,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Poema	151 333,33	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Reathabela	171 070,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Tenemo	169 420,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Down Low	158 400,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Poema	151 333,33	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Reathabela	171 070,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Tenemo	169 420,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Down Low	158 400,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Poema	151 333,33	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Tenemo	169 420,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Reathabela	171 070,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Community	Yena Unathi	179 070,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired tenderer from previous tender were extended to continue do the job.
Infrastructure	Geater Engineering	2 278 285,00	Sec 40(1)(a)(i) - emergency	Mott McDonald was appointed by STLM as engineering consultant for the second phase upgrading the Boskrans WWTW.
Community	Mhayise General Trading	96 387,00	Sec 40(1)(a)(i) - emergency	Quotation advertised for seven (7) days, four (4) quotations received on the closing date, only one (1) compliant suppliers has been found.
Infrastructure	Tsipentsu	50 360,00	Sec 40(1)(a)(i) - emergency	Construction of concrete slab to house the ablution container at OR Tambo and Kees Taljaard.
Community	Phoenix	1 413,60	Sec 40(1)(a)(i) - emergency	The starter bearing worn out and had to be repaired.
Community	Sherenco	2 999,15	Sec 40(1)(a)(i) - emergency	Contracted to Council.
Community	Eastvaal Motors	5 284,42	Sec 40(1)(a)(i) - emergency	The vehicle is for grassfire services and must be urgently attended to.
Community	Phoenis	5 646,00	Sec 40(1)(a)(i) - emergency	Skit unit used for grass fire broke down.
Community	Tenemo	169 420,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.
Community	Poema	151 333,33	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.
Community	Down Low	158 400,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Down Low	171 070,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.
Community	Down Low	171 070,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.
Community	Down Low	179 070,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.
Community	Down Low	169 420,00	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.
Community	Poema	151 333,33	Sec 40(1)(a)(i) - emergency	Tender still on the evaluation process, the expired contract from previous tender was extended to continue do the job.
Corporate	Government Printing Works	87 000,00	Sec 40(1)(a)(ii) - single provider	Only provider for advertisement of notices.
Finance (Data)	Ado Reseach	61 704,65	Sec 40(1)(a)(ii) - single provider	Ado machines are rented and maintained through Ado.
Finance (Data)	Ado Reseach	20 033,99	Sec 40(1)(a)(ii) - single provider	Ado machines are rented and maintained through Ado.
Finance (Data)	Ado Reseach	40 067,96	Sec 40(1)(a)(ii) - single provider	Ado machines are rented and maintained through Ado.
Finance	Ado Reseach	40 067,98	Sec 40(1)(a)(ii) - single provider	Ado machines are rented and maintained through Ado.
Community	Middelburg Truck & Trailers	9 305,20	Sec 40(1)(a)(ii) - single provider	The vehicle is used to deliver water at rural areas.
Community	Van Wettens	4 679,70	Sec 40(1)(a)(ii) - single provider	Vehicle broke down and needed urgent towing.
Community	Van Wettens	4 617,00	Sec 40(1)(a)(ii) - single provider	Vehicle broke down and needed urgent towing.
Infrastructure	Afrilab	6 817,20	Sec 40(1)(a)(ii) - single provider	Afrilab is an authorized distributor of hash laboratory products.
Finance	Mid Alarms	1 000,00	Sec 40(1)(a)(ii) - single provider	Contracted to Council.
Community	Hydro Radiators	4 902,00	Sec 40(1)(a)(ii) - single provider	Truck had a breakdown and it was distracting traffic so it had to be towed.
Community	Phoenix	6 069,36	Sec 40(1)(a)(ii) - single provider	The clutch and brakes for grass fire needed some repairs.
Infrastructure	Afrilab	66 099,48	Sec 40(1)(a)(ii) - single provider	Afrilab is an authorized distributor of hash laboratory products.
Infrastructure	Instru-Serve	4 120,00	Sec 40(1)(a)(ii) - single provider	Instru-Serve is currently hosting and maintaining the My City telemetry system and are single provider authorized to distribute George Fischer piping systems.
Community	Qembu	2 566,97	Sec 40(1)(a)(ii) - single provider	Car dealer that can provide the indicator combination switch.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Sivuthumlilo	1 754 460,00	Sec 40(1)(a)(ii) - single provider	The project was initially implemented by rand water, who appointed (Sivuthumlilo) as a contractor. The allocated amount had to be adjusted and it was over 15% threshold and rand water felt they cannot continue with the project.
Infrastructure	Sivuthumlilo	2 234 172,00	Sec 40(1)(a)(ii) - single provider	The project was initially implemented by rand water, who appointed (no suggestions) as a contractor. The allocated amount had to be adjusted and it was over 15% threshold and rand water felt they cannot continue with the project.
Finance	Fidelity Cash Solutions	2 083,92	Sec 40(1)(a)(ii) - single provider	Contracted to council to transport money.
Communication	Middelburg Chamber of Commerce	25 000,00	Sec 40(1)(a)(ii) - single provider	Middelburg Chamber is the only local business network in Middelburg which promotes the local states, business and its community.
Finance	G4S	12 916,20	Sec 40(1)(a)(ii) - single provider	Contracted to Council.
Corporate	Earlyworx 282 Pty Ltd	8 000,00	Sec 40(1)(a)(ii) - single provider	Contracted to Council for 12 months.
Community	Department of Community Safety Security & Liaison	18 762,80	Sec 40(1)(a)(ii) - single provider	They are the sole provider of face value documents that are used to print registration certificates, licensing, learner and drivers licenses.
Corporate	Government Printing Works	3 000,00	Sec 40(1)(a)(ii) - single provider	Only provider for advertisement of notices.
Corporate	Government Printing Works	48 000,00	Sec 40(1)(a)(ii) - single provider	Only provider for advertisement of notices.
Corporate	Government Printing Works	15 000,00	Sec 40(1)(a)(ii) - single provider	Only provider for advertisement of notices.
Finance	Zela Tech	357,32	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Finance	Zela Tech	300,15	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Finance	Zela Tech	287,75	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Finance	Zela Tech	318,56	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Finance	Zela Tech	341,82	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Finance	Zela Tech	305,00	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Finance	Zela Tech	305,77	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Finance	Zela Tech	357,45	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Finance	Zela Tech	340,19	Sec 40(1)(a)(ii) - single provider	Zela Tech is the only supplier to maintain the current water detection system in the server room.
Corporate	Admirable & Innovation	4 520,00	Sec 40(1)(a)(v) - exceptional case	The quotation for car wash is not yet finalized to appoint the service provider for car wash.
Finance	Focus Outsourcing	127 094,97	Sec 40(1)(a)(v) - exceptional case	They are the current printers of water and lights accounts. Due to the fact that we are moving over to a new financial system it is impractical to move to a new provider but keep the status quo until the new system implementation is finalized.
Finance	Focus Outsourcing	63 679,70	Sec 40(1)(a)(v) - exceptional case	They are the current printers of water and lights accounts. Due to the fact that we are moving over to a new financial system it is impractical to move to a new provider but keep the status quo until the new system implementation is finalized.
Finance	Focus Outsourcing	76 492,22	Sec 40(1)(a)(v) - exceptional case	They are the current printers of water and lights accounts. Due to the fact that we are moving over to a new financial system it is impractical to move to a new provider but keep the status quo until the new system implementation is finalized.
Finance	Focus Outsourcing	127 800,54	Sec 40(1)(a)(v) - exceptional case	They are the current printers of water and lights accounts. Due to the fact that we are moving over to a new financial system it is impractical to move to a new provider but keep the status quo until the new system implementation is finalized.
Finance	Focus Outsourcing	63 998,36	Sec 40(1)(a)(v) - exceptional case	They are the current printers of water and lights accounts. Due to the fact that we are moving over to a new financial system it is impractical to move to a new provider but keep the status quo until the new system implementation is finalized.
Finance	Focus Outsourcing	193 878,78	Sec 40(1)(a)(v) - exceptional case	They are the current printers of water and lights accounts. Due to the fact that we are moving over to a new financial system it is impractical to move to a new provider but keep the status quo until the new system implementation is finalized.
Finance	Digix Computer	19 277,40	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Finance	Digix Computer	19 277,40	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	19 277,40	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	19 277,40	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Finance	Digix Computer	17 932,20	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Infrastructure	Container Conversion	323 343,90	Sec 40(1)(a)(v) - exceptional case	Quote advertised on the website for seven (7) days, only one (1) quote received.
Infrastructure	Tambo Business	596 245,65	Sec 40(1)(a)(v) - exceptional case	Numerous electrical faults are being experienced on the motor control centre that are used at Vaalbank water works. Consultants were appointed to complete the designs of the new mcc panels for construction.
Community	Mechanibike	34 093,00	Sec 40(1)(a)(v) - exceptional case	Mechanibike is the only supplier willing to give quote and the bikes were bought from them.
Community	Automotor Traffic Signal	29 121,30	Sec 40(1)(a)(v) - exceptional case	The traffic signal is not functioning due to theft (plc stolen) and is still under warranty.
Community	Mafeta Napogadi	59 537,82	Sec 40(1)(a)(v) - exceptional case	Security tender still on the evaluation process and the security services is required at the pay points.
Corporate	Wam Technology	23 690,00	Sec 40(1)(a)(v) - exceptional case	Tjeka is the only provider that that can provide training in vernacular.
Community	Penniflex	40 609,65	Sec 40(1)(a)(v) - exceptional case	The initial price for the contract was R59 000, however officers arrested a lot of drunken drivers which necessitated the amount to go up.
Corporate	Eoh Mthombo	203 760,41	Sec 40(1)(a)(v) - exceptional case	The quotation was advertised for seven days and the recommended supplier total price is above R200 000 which requires that they pursue a tendering procedure after excluding support fee, the license was expiring soon.
Community	Dieseltech Engineering	52 494,95	Sec 40(1)(a)(v) - exceptional case	Strip and quote was made before the repairs could be done, would have been expensive to take the truck to another service provider.
Community	K2014088041 Pty Ltd	3 302,77	Sec 40(1)(a)(v) - exceptional case	The alternator broke down and needed urgent repairs.
Community	Geo Transmissions	23 373,80	Sec 40(1)(a)(v) - exceptional case	The company done transmission harness on the truck therefore it is advisable that they supply and install and program new computer box.
Community	Barloworld Toyota	2 490,82	Sec 40(1)(a)(v) - exceptional case	As a dealer of Toyota vehicle, it was advisable to take the vehicle to them.
Community	Mechanibike	10 915,00	Sec 40(1)(a)(v) - exceptional case	Mechanibike is the only supplier willing to give quote and the bikes were bought from them.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Remaining Extent	13 764,25	Sec 40(1)(a)(v) - exceptional case	Procurement of some vehicle spares can only be done from the dealer.
Community	Mechanibike	11 478,00	Sec 40(1)(a)(v) - exceptional case	Mechanibike is the only supplier willing to give quote and the bikes were bought from them.
Infrastructure	Qembu	13 634,92	Sec 40(1)(a)(v) - exceptional case	The company have done strip and quote already, and would be expensive to take it to another supplier for quote.
Community	Hydro Radiators	2 850,00	Sec 40(1)(a)(v) - exceptional case	Truck had a breakdown and it was distracting traffic so it had to be towed.
Community	Dieseltech Engineering	52 494,95	Sec 40(1)(a)(v) - exceptional case	The company have done strip and quote already, and would be expensive to take it to another supplier for quote.
Community	BB Truck	22 109,31	Sec 40(1)(a)(v) - exceptional case	The truck was already with the supplier who then discovered more faults that needed repairs.
Community	Mc Carthy	2 094,20	Sec 40(1)(a)(v) - exceptional case	Vehicle still under warranty and has to be taken to the dealer.
Community	Hydro Radiators	5 677,20	Sec 40(1)(a)(v) - exceptional case	Hiring of load bed truck to transport front end loader to Middelburg for repairs in Middelburg.
Corporate	Gijima Holdings	21 672,00	Sec 40(1)(a)(v) - exceptional case	Gijima is recommended based on competency based assessments needed for the positions of the CFO and executive infrastructure services.
Infrastructure	Cassiusm Projects	248 800,00	Sec 40(1)(a)(v) - exceptional case	Quote advertised on the website for seven (7) days, only two (2) quotes received.
Infrastructure	Bijojo	389 135,98	Sec 40(1)(a)(v) - exceptional case	Retention due for payment to contractor.
Finance	Connet IT System	154 282,69	Sec 40(1)(a)(v) - exceptional case	As we are moving to the new financial system and new server it will be impractical to obtain new service provider for the time, still running on the old financial server and is been suggested to keep the current provider until we switch over.
Corporate	Jonti Tenders	48 538,83	Sec 40(1)(a)(v) - exceptional case	Advertising of vacant positions in City Press.