



CITY OF TSHWANE METROPOLITAN MUNICIPALITY
Consolidated Annual Financial Statements
for the year ended Group 30 June 2017

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

General Information

Legal form of entity	Category A municipality in terms of section 1 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa, 1996
Executive Mayor	Solly Msimanga
Speaker	Rachael Mathebe
Chief Whip	Christiaan van der Heever
Mayoral Committee Members	Mare-Lise Fourie (Ms) (MMC: Finance) Sakkie du Plooy (MMC: Health and Social Development) Mike Mkhari (MMC: Agriculture and Environmental Management) Anniruth Kissoonduth (Derrick) (MMC: Safety and Security) Darryl Moss (MMC: Infrastructure) Cilliers Brink (MMC: Corporate and Shared Services) Ntsiki Mokhoto (Ms) (MMC: Sports, Recreation, Arts and Culture) Randall Williams (MMC: Economic Development and Spatial Planning) Mandla Nkomo (MMC: Housing and Human Settlement) Shella Lynn Sunkubuge (Ms) (MMC: Roads and Transport)
Grading of local authority	Category A Grade 6 urban municipality (demarcation code - TSH)
Accounting Officer	Moeketsi Mosola Telephone: 012 358 4901
Group Chief Financial Officer (GCFO)	Banda, Umar CA (SA) Telephone: 012 358 8100
Registered office	Tshwane House 320 Madiba Steet PRETORIA 0002
Postal address	PO Box 408 PRETORIA 0002
Bankers	ABSA
Auditors	Auditor-General South Africa (AGSA)
Legislation governing the Municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Entities consolidated at year end	Consistent with the prior financial year the following municipal entities were included in the Consolidated Annual Financial Statements: Housing Company Tshwane NPC (Registration nr 2001/029821/08) Sandspruit Works Association Soc Ltd (Registration nr 1999/019160/08) Tshwane Economic Development Agency Soc Ltd (TEDA) (Registration nr 2006/019396/07). In terms of a Council Resolution of 27 October 2016 Sandspruit will be disestablished by 30 June 2017.
Entities dormant	Metsweding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA. All operations were taken over by the Municipality on 1 July 2011. (Final deregistration not yet completed)

City of Tshwane Metropolitan Municipality

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The following supplementary information does not form part of the Consolidated Annual Financial Statements and is unaudited:

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Certification by City Manager

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal controls aimed at reducing the risk of error or loss 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the group's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the economic entity has adequate resources or has access to such resources to continue operating for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the group, they are supported by the group's internal auditors.

The consolidated annual financial statements set out on pages 4 to 179, which have been prepared on a going concern basis, were approved and signed by the accounting officer on 30 September 2017.

I am responsible for the preparation of these consolidated annual financial statements, which are set out from pages 4 to 179, in terms of section 126(1) of the Local Government: Municipal Finance Management Act and which I have signed on behalf of the Group.

I certify that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in Note 31 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Moeketsi Mosola
City Manager

Umar Banda CA(SA)
Chief Financial Officer

Pretoria

30 September 2017

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Statement of Financial Position as at Group 30 June 2017

	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Assets					
Current assets					
Inventories	21	692,359,398	576,917,890	688,894,587	573,789,834
Current portion of long-term receivables	20	91,005,216	95,249,478	91,005,216	95,249,478
Current tax receivable	62	858,149	1,176,843	-	-
Operating lease asset	63	-	49,216	-	-
Consumer receivables	22	4,630,010,267	3,499,800,649	4,607,165,962	3,490,852,213
VAT receivable	12	4,363,938	4,955,043	-	-
Other receivables	23	1,346,170,057	1,088,676,900	1,072,622,652	986,027,264
Investments	19	1,712,536,970	1,090,829,976	1,712,108,929	1,087,430,061
Cash and cash equivalents	24	456,778,833	93,910,194	398,775,497	74,581,166
		8,934,082,828	6,451,566,189	8,570,572,843	6,307,930,016
Non-current assets					
Investment property	14	773,100,457	772,608,569	773,100,457	772,608,569
Property, plant and equipment	13	34,119,270,330	31,669,400,276	34,060,715,891	31,632,950,362
Leased assets	17	624,964,335	240,088,367	624,964,335	240,088,367
Intangible assets	15	388,739,649	408,178,322	388,541,873	407,912,544
Heritage assets	16	3,648,494,462	3,629,880,497	3,648,494,462	3,629,880,497
Investments	19	710,520	710,520	710,520	710,520
Long-term receivables	20	25,661,496	18,825,840	25,661,496	18,825,840
Interest rate swap asset	74	18,743,157	43,936,952	18,743,157	43,936,952
		39,599,684,406	36,783,629,343	39,540,932,191	36,746,913,651
Total assets		48,533,767,234	43,235,195,532	48,111,505,034	43,054,843,667
Liabilities					
Current liabilities					
Loans and bonds	4	728,912,199	622,427,283	728,596,801	622,111,885
Lease liabilities	5	154,158,569	110,418,332	154,158,569	110,418,332
Deferred operating lease liability	63	25,248	397,231	-	-
Payables from exchange transactions	10	7,267,534,060	7,571,083,489	6,931,823,875	7,443,929,656
VAT payable	12	1,603,308,583	540,861,692	1,592,960,075	539,903,025
Consumer deposits	9	411,345,192	379,915,638	407,336,926	375,949,547
Unspent grants and receipts	11	305,859,396	130,291,177	305,859,396	130,291,177
Service concession arrangements	64	57,645,018	-	57,645,018	-
		10,528,788,265	9,355,394,842	10,178,380,660	9,222,603,622
Non-current liabilities					
Loans and bonds	4	10,662,892,847	10,321,798,390	10,661,349,741	10,319,939,692
Lease liabilities	5	288,729,897	33,634,395	288,729,897	33,634,395
Deferred operating lease liability	63	(523,647)	(135,976)	-	-
Employee benefit obligation	44	2,254,239,317	2,235,476,868	2,254,239,317	2,235,476,868
Deferred tax	61	14,045	66,455	-	-
Provisions	6	968,935,936	806,551,849	968,935,936	806,541,911
Interest rate swap liability	74	142,995,983	147,119,727	142,995,983	147,119,727
Service concession arrangements	64	984,900,753	672,256,650	984,900,753	672,256,650
		15,302,185,131	14,216,768,358	15,301,151,627	14,214,969,243
Total liabilities		25,830,973,396	23,572,163,200	25,479,532,287	23,437,572,865
Net assets		22,702,793,838	19,663,032,332	22,631,972,747	19,617,270,802
Net assets					
Accumulated surplus	43	22,702,793,836	19,663,032,332	22,631,972,745	19,617,270,802

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Statement of Financial Performance

	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	26	16,157,118,036	14,588,796,049	16,394,206,602	14,686,840,950
Rental of facilities and equipment		134,140,535	135,940,854	128,862,904	131,980,491
Interest received - outstanding consumer debtors		618,102,368	405,972,874	553,456,804	361,021,944
Licences and permits		49,266,169	48,743,171	49,266,169	48,743,171
Other income	28	876,301,144	739,214,051	876,087,235	738,178,759
Interest received - external investments	34	105,993,848	57,274,371	105,227,294	55,999,525
Gain on disposal of assets and liabilities		-	62,341,022	-	62,468,328
Gain on foreign exchange		281,716	-	281,716	-
Total revenue from exchange transactions		17,941,203,816	16,038,282,392	18,107,388,724	16,085,233,168
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	25	5,912,583,707	5,360,554,242	5,912,860,893	5,360,754,623
Transfer revenue					
Government grants, subsidies, awards and donations	27	6,123,596,479	5,969,315,203	6,123,596,479	5,969,036,348
Public contributions and donations		241,815,463	276,873,503	241,815,463	276,873,503
Fines, penalties and forfeits		181,871,269	313,548,835	181,871,269	313,548,835
Sponsorship revenue		-	394,737	-	-
Total revenue from non-exchange transactions		12,459,866,918	11,920,686,520	12,460,144,104	11,920,213,309
Total revenue		30,401,070,734	27,958,968,912	30,567,532,828	28,005,446,477
Expenditure					
Employee-related cost	29	(8,035,152,135)	(7,530,004,364)	(7,895,827,022)	(7,397,808,867)
Remuneration of councilors	31	(118,003,200)	(112,443,327)	(118,003,200)	(112,443,327)
Depreciation and amortisation	32	(1,543,503,776)	(1,417,138,078)	(1,539,044,922)	(1,415,429,799)
Impairment loss/reversal of impairments	65	(2,726,850)	(362,767)	(2,726,850)	(362,767)
Finance costs	33	(1,336,036,957)	(1,137,968,467)	(1,335,165,611)	(1,136,966,921)
Debt impairment	35	(889,758,964)	(445,769,413)	(742,783,761)	(293,312,650)
Collection costs		(99,100,624)	(171,500,757)	(98,993,624)	(171,241,549)
Bulk purchases	36	(9,401,923,357)	(8,728,503,199)	(9,582,375,815)	(8,808,848,636)
Contracted services	66	(2,833,377,551)	(3,246,038,860)	(2,779,424,758)	(3,180,711,536)
Transfers and subsidies	37	-	-	(382,142,676)	(347,060,760)
Loss on disposal of assets and liabilities		(66,232,870)	-	(66,536,177)	-
Loss on foreign exchange		-	(1,678,206)	-	(1,678,206)
Fair value adjustments	68	(18,855,341)	(145,366,351)	(18,855,341)	(145,366,351)
General expenses	38	(3,015,879,098)	(3,923,749,774)	(2,990,951,131)	(3,897,562,528)
Total expenditure		(27,360,550,723)	(26,860,523,563)	(27,552,830,888)	(26,908,793,897)
Surplus before taxation		3,040,520,011	1,098,445,349	3,014,701,940	1,096,652,580
Taxation	62	758,508	17,944	-	-
Surplus for the year		3,039,761,503	1,098,427,405	3,014,701,940	1,096,652,580

The National Treasury classification of expenditure is disclosed in Note 72.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Group		
Opening balance as previously reported	18,411,056,368	18,411,056,368
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	153,548,559	153,548,559
Balance at 1 July 2015 as restated*	18,564,604,927	18,564,604,927
Changes in net assets		
Surplus for the year	1,098,427,405	1,098,427,405
Total changes	1,098,427,405	1,098,427,405
Opening balance as previously reported	18,873,232,809	18,873,232,809
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	789,799,524	789,799,524
Restated* Balance at 1 July 2016 as restated*	19,663,032,333	19,663,032,333
Changes in net assets		
Surplus for the year	3,039,761,503	3,039,761,503
Total changes	3,039,761,503	3,039,761,503
Balance at Group 30 June 2017	22,702,793,836	22,702,793,836
Note(s)	43	
Municipality		
Opening balance as previously reported	18,367,836,330	18,367,836,330
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	152,781,892	152,781,892
Balance at 1 July 2015 as restated*	18,520,618,222	18,520,618,222
Changes in net assets		
Surplus for the year	1,096,652,580	1,096,652,580
Total changes	1,096,652,580	1,096,652,580
Opening balance as previously reported	18,831,557,121	18,831,557,121
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	785,713,684	785,713,684
Restated* Balance at 1 July 2016 as restated*	19,617,270,805	19,617,270,805
Changes in net assets		
Surplus for the year	3,014,701,940	3,014,701,940
Total changes	3,014,701,940	3,014,701,940
Balance at Group 30 June 2017	22,631,972,745	22,631,972,745
Note(s)	43	

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Cash Flow Statement

		Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Cash receipts from other revenue sources		2,664,511,745	2,264,101,090	2,763,630,583	2,351,789,329
Cash receipts from rate payers and service charges		20,298,652,984	18,967,083,124	20,688,628,736	19,210,379,729
Grants		6,359,514,764	5,930,802,716	6,359,514,764	5,930,802,716
Interest income		105,993,848	57,274,371	105,227,294	55,999,525
		<u>29,428,673,341</u>	<u>27,219,261,301</u>	<u>29,917,001,377</u>	<u>27,548,971,299</u>
Payments					
Cash paid to employees		(8,153,155,335)	(7,642,447,691)	(8,013,830,223)	(7,510,252,194)
Cash paid to suppliers		(15,623,600,196)	(14,384,379,626)	(15,932,948,185)	(14,490,696,815)
Finance costs		(1,336,036,957)	(1,137,968,467)	(1,335,165,611)	(1,136,966,921)
Transfers and grants		-	-	(382,142,676)	(347,060,760)
Taxes on surpluses		(758,508)	(17,944)	-	-
		<u>(25,113,550,996)</u>	<u>(23,164,813,728)</u>	<u>(25,664,086,695)</u>	<u>(23,484,976,690)</u>
Net cash flows from operating activities	39	<u>4,315,122,345</u>	<u>4,054,447,573</u>	<u>4,252,914,682</u>	<u>4,063,994,609</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(3,965,470,879)	(5,054,517,213)	(3,938,384,136)	(5,037,069,633)
Purchase/redemption of leased assets	17	(437,613,523)	-	(437,613,523)	-
Proceeds from sale of assets	13&14	3,603,765	316,689,885	2,706,658	316,689,889
Purchase of investment property	14	(4,254,597)	(11,006,756)	(4,254,597)	(11,006,756)
Proceeds from sale of investment property	14	-	12,595,565	-	12,595,565
Purchase of other intangible assets	15	(22,310,352)	(46,325,440)	(22,310,352)	(46,265,624)
Purchase of heritage assets	16	(18,613,965)	(22,349,296)	(18,613,965)	(22,349,296)
Provision for/(repayment in) long-term receivables		(2,591,394)	45,472,106	(2,591,394)	45,472,106
Net cash flows from investing activities		<u>(4,447,250,945)</u>	<u>(4,759,441,149)</u>	<u>(4,421,061,309)</u>	<u>(4,741,933,749)</u>
Cash flows from financing activities					
Proceeds from loans and bonds		1,000,000,000	1,200,000,000	1,000,000,000	1,200,000,000
Repayment of loans and bonds	4	(552,420,627)	(518,231,162)	(552,105,035)	(517,915,839)
Proceeds from service concession arrangements		370,289,121	672,256,650	370,289,121	672,256,650
Finance lease (repayments)/receipts	5	298,835,739	(64,810,162)	298,835,740	(64,810,162)
Net cash flows from financing activities		<u>1,116,704,233</u>	<u>1,289,215,326</u>	<u>1,117,019,826</u>	<u>1,289,530,649</u>
Net increase/(decrease) in cash and cash equivalents		984,575,633	584,221,750	948,873,199	611,591,509
Cash and cash equivalents at the beginning of the year		1,184,740,170	600,518,420	1,162,011,227	550,419,718
Cash and cash equivalents at the end of the year	24	<u>2,169,315,803</u>	<u>1,184,740,170</u>	<u>2,110,884,426</u>	<u>1,162,011,227</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Statement of Comparison of Budget and Actual Amounts

	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
Group - 2017											
Financial performance											
Property rates	5,739,916,595	120,000,000	5,859,916,595	-	-	5,859,916,595	5,912,583,707	-	52,667,112	101 %	103 %
Service charges	17,719,922,976	(954,305,936)	16,765,617,040	-	-	16,765,617,040	16,157,118,036	-	(608,499,004)	96 %	91 %
Investment revenue	43,089,005	2,000,000	45,089,005	-	-	45,089,005	105,993,848	-	60,904,843	235 %	246 %
Transfers recognised - operational	4,240,323,308	(33,600,532)	4,206,722,776	-	-	4,206,722,776	3,813,144,804	-	(393,577,972)	91 %	90 %
Other own revenue	2,442,409,515	446,085,127	2,888,494,642	-	-	2,888,494,642	2,101,778,664	-	(786,715,978)	73 %	86 %
Total revenue (excluding capital transfers and contributions)	30,185,661,399	(419,821,341)	29,765,840,058	-	-	29,765,840,058	28,090,619,059	-	(1,675,220,999)	94 %	93 %
Employee costs	(7,879,832,611)	(215,025,278)	(8,094,857,889)	-	-	(8,094,857,889)	(8,035,152,135)	59,705,754	59,705,754	99 %	102 %
Remuneration of councillors	(125,834,274)	5,794	(125,828,480)	-	-	(125,828,480)	(118,003,200)	-	7,825,280	94 %	94 %
Debt impairment	(908,053,016)	(157,252,279)	(1,065,305,295)	-	-	(1,065,305,295)	(889,758,964)	-	175,546,331	84 %	98 %
Depreciation and asset impairment	(1,258,208,413)	(254,718,803)	(1,512,927,216)	-	20,000,000	(1,492,927,216)	(1,546,230,626)	53,303,410	(53,303,410)	104 %	123 %
Finance charges	(1,057,981,992)	(226,434,404)	(1,284,416,396)	-	(7,452,973)	(1,291,869,369)	(1,336,036,957)	44,167,588	(44,167,588)	103 %	126 %
Materials and bulk purchases	(10,240,549,518)	216,940,757	(10,023,608,761)	-	(1,704,875)	(10,025,313,636)	(9,401,923,357)	-	623,390,279	94 %	92 %
Transfers and grants	(263,846,888)	5,274,103	(258,572,785)	-	-	(258,572,785)	-	-	258,572,785	- %	- %
Other expenditure	(6,523,435,927)	261,325,307	(6,262,110,620)	-	(10,842,152)	(6,272,952,772)	(6,033,445,484)	-	239,507,288	96 %	92 %
Total expenditure	(28,257,742,639)	(369,884,803)	(28,627,627,442)	-	-	(28,627,627,442)	(27,360,550,723)	157,176,752	1,267,076,719	96 %	97 %
Surplus/(deficit)	1,927,918,760	(789,706,144)	1,138,212,616	-	-	1,138,212,616	730,068,336	-	(408,144,280)	64 %	64 %

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,370,208,687	45,877,722	2,416,086,409	-		2,416,086,409	2,310,451,675		(105,634,734)	96 %	97 %
Surplus/(deficit) after capital transfers and contributions	4,298,127,447	(743,828,422)	3,554,299,025	-		3,554,299,025	3,040,520,011		(513,779,014)	86 %	71 %
Taxation	-	-	-	-		-	758,508		758,508	- %	- %
Surplus/(deficit) for the year	4,298,127,447	(743,828,422)	3,554,299,025	-		3,554,299,025	3,039,761,503		(514,537,522)	86 %	71 %
Capital expenditure and funds sources											
Total capital expenditure	4,427,133,315	97,453,094	4,524,586,409	-		4,524,586,409	3,194,634,274		(1,329,952,135)	71 %	72 %
Sources of capital funds											
Transfers recognised - capital	(2,184,664,641)	(205,167,568)	(2,389,832,209)	-		(2,389,832,209)	(2,320,326,657)		69,505,552	97 %	106 %
Public contributions and donations	(72,900,000)	(27,100,000)	(100,000,000)	-		(100,000,000)	(93,627,125)		6,372,875	94 %	128 %
Borrowing	(2,107,568,674)	1,107,568,674	(1,000,000,000)	-		(1,000,000,000)	(751,761,635)		248,238,365	75 %	36 %
Integrated City	-	(36,254,200)	(36,254,200)	-		(36,254,200)	-		36,254,200	- %	DIV/0 %
Development Grant											
Internally generated funds	(62,000,000)	(936,500,000)	(998,500,000)	-		(998,500,000)	(28,918,857)		969,581,143	3 %	47 %
Total sources of capital funds	(4,427,133,315)	(97,453,094)	(4,524,586,409)	-		(4,524,586,409)	(3,194,634,274)		1,329,952,135	71 %	72 %

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from/(used) operating	5,699,977,227	215,658,168	5,915,635,395	-		5,915,635,395	4,315,122,345		(1,600,513,050)	73 %	76 %
Net cash from/(used) investing	(4,881,038,819)	153,848,482	(4,727,190,337)	-		(4,727,190,337)	(4,447,250,945)		279,939,392	94 %	91 %
Net cash from/(used) financing	297,917,199	(280,719,977)	17,197,222	-		17,197,222	1,116,704,233		1,099,507,011	6,494 %	375 %
Net increase/(decrease) in cash and cash equivalents	1,116,855,607	88,786,673	1,205,642,280	-		1,205,642,280	984,575,633		(221,066,647)	82 %	88 %
Cash and cash equivalents at the beginning of the year	2,012,796,012	(834,790,557)	1,178,005,455	-		1,178,005,455	1,184,740,170		6,734,715	101 %	59 %
Cash and cash equivalents at year end	3,129,651,619	(746,003,884)	2,383,647,735	-		2,383,647,735	2,169,315,803		(214,331,932)	91 %	69 %

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Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Statement of Comparison of Budget and Actual Amounts

	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
Municipality - 2017											
Financial performance											
Property rates	5,739,916,595	120,000,000	5,859,916,595	-	-	5,859,916,595	5,912,860,893	-	52,944,298	101 %	103 %
Service charges	17,485,471,525	(954,305,936)	16,531,165,589	-	-	16,531,165,589	16,394,206,602	-	(136,958,987)	99 %	94 %
Investment revenue	41,895,300	2,000,000	43,895,300	-	-	43,895,300	105,227,294	-	61,331,994	240 %	251 %
Transfers recognised - operational	3,976,476,420	(32,354,453)	3,944,121,967	-	-	3,944,121,967	3,813,144,804	-	(130,977,163)	97 %	96 %
Other own revenue	2,310,272,693	490,955,863	2,801,228,556	-	-	2,801,228,556	2,037,452,508	-	(763,776,048)	73 %	88 %
Total revenue (excluding capital transfers and contributions)	29,554,032,533	(373,704,526)	29,180,328,007	-	-	29,180,328,007	28,262,892,101	-	(917,435,906)	97 %	96 %
Employee costs	(7,716,877,064)	(243,485,792)	(7,960,362,856)	-	-	(7,960,362,856)	(7,895,827,022)	-	64,535,834	99 %	102 %
Remuneration of councillors	(120,466,574)	(1,000,000)	(121,466,574)	-	-	(121,466,574)	(118,003,200)	-	3,463,374	97 %	98 %
Debt impairment	(849,491,950)	(158,476,628)	(1,007,968,578)	-	-	(1,007,968,578)	(742,783,761)	-	265,184,817	74 %	87 %
Depreciation and asset impairment	(1,254,566,602)	(252,854,590)	(1,507,421,192)	-	20,000,000	(1,487,421,192)	(1,541,771,772)	54,350,580	(54,350,580)	104 %	123 %
Finance charges	(1,057,637,963)	(226,439,404)	(1,284,077,367)	-	(7,452,973)	(1,291,530,340)	(1,335,165,611)	43,635,271	(43,635,271)	103 %	126 %
Materials and bulk purchases	(10,021,696,349)	216,940,757	(9,804,755,592)	-	(1,704,875)	(9,806,460,467)	(9,817,718,341)	11,257,874	(11,257,874)	100 %	98 %
Transfers and grants	(263,846,888)	5,274,103	(258,572,785)	-	-	(258,572,785)	(382,142,676)	184,067,565	(123,569,891)	148 %	145 %
Other expenditure	(6,338,779,118)	233,615,892	(6,105,163,226)	-	(10,842,152)	(6,116,005,378)	(5,725,229,453)	-	390,775,925	94 %	90 %
Total expenditure	(27,623,362,508)	(426,425,662)	(28,049,788,170)	-	-	(28,049,788,170)	(27,558,641,836)	293,311,290	491,146,334	98 %	100 %
Surplus/(deficit)	1,930,670,025	(800,130,188)	1,130,539,837	-	-	1,130,539,837	704,250,265	-	(426,289,572)	62 %	36 %
Transfers recognised - capital	2,370,208,687	45,877,722	2,416,086,409	-	-	2,416,086,409	2,310,451,675	-	(105,634,734)	96 %	97 %
Surplus/(deficit) after capital transfers and contributions	4,300,878,712	(754,252,466)	3,546,626,246	-	-	3,546,626,246	3,014,701,940	-	(531,924,306)	85 %	70 %
Surplus/(deficit) for the year	4,300,878,712	(754,252,466)	3,546,626,246	-	-	3,546,626,246	3,014,701,940	-	(531,924,306)	85 %	70 %

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Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	4,427,133,315	97,453,094	4,524,586,409	-		4,524,586,409	3,194,634,273		(1,329,952,136)	71 %	72 %
Sources of capital funds											
Transfers recognised - capital	(2,184,664,641)	(241,421,768)	(2,426,086,409)	-		(2,426,086,409)	(2,320,326,657)		105,759,752	96 %	106 %
Public contributions and donations	(72,900,000)	(27,100,000)	(100,000,000)	-		(100,000,000)	(93,627,125)		6,372,875	94 %	128 %
Borrowing	(2,107,568,674)	1,107,568,674	(1,000,000,000)	-		(1,000,000,000)	(751,761,635)		248,238,365	75 %	36 %
Internally generated funds	(62,000,000)	(936,500,000)	(998,500,000)	-		(998,500,000)	(28,918,857)		969,581,143	3 %	47 %
Total sources of capital funds	(4,427,133,315)	(97,453,094)	(4,524,586,409)	-		(4,524,586,409)	(3,194,634,274)		1,329,952,135	71 %	72 %
Cash flows											
Net cash from/(used) operating	5,680,096,909	144,148,332	5,824,245,241	-		5,824,245,241	4,252,914,682		(1,571,330,559)	73 %	75 %
Net cash from/(used) investing	(4,873,056,819)	153,848,482	(4,719,208,337)	-		(4,719,208,337)	(4,421,061,309)		298,147,028	94 %	91 %
Net cash from/(used) financing	298,232,597	(280,719,977)	17,512,620	-		17,512,620	1,117,019,826		1,099,507,206	6,378 %	375 %
Net increase/(decrease) in cash and cash equivalents	1,105,272,687	17,276,837	1,122,549,524	-		1,122,549,524	948,873,199		(173,676,325)	85 %	86 %
Cash and cash equivalents at the beginning of the year	1,991,057,020	(765,072,915)	1,225,984,105	-		1,225,984,105	1,162,011,227		(63,972,878)	95 %	58 %
Cash and cash equivalents at year end	3,096,329,707	(747,796,078)	2,348,533,629	-		2,348,533,629	2,110,884,426		237,649,203	90 %	68 %

The explanations for major variances between the budget and the actual for the period under review are done in note 58.

The explanations for changes between the original budget and the final budget for the period under review are done in note 58.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Accounting Policies

1. Basis of preparation of annual financial statements

The consolidated 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). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

These consolidated 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.

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, which have been consistently applied in the preparation of these consolidated annual financial statements, is disclosed below.

1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity and amounts have been rounded to the nearest Rand.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements are the consolidated annual financial statements of the economic entity (group) presented as those of a single entity.

Control exists when the Municipality has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The consolidated annual financial statements of the Municipality and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the Municipality.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

The term "economic entity" is used in GRAP 6 to define, for financial reporting purposes a group of entities comprising the controlling entity and any controlled entities. Other terms sometimes used to refer to an economic entity include "administrative entity", "financial entity", "consolidated entity" and "group". For ease of reference and understanding the term "group" is used to refer to the "economic entity" and Municipality is used to refer to the "controlling entity" in these consolidated annual financial statements.

1.3 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the group will continue to operate as going for at least the next 12 months. Refer to Note 69.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of these consolidated annual financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements, where applicable.

Trade receivables/investments and/or loans and receivables

The group assesses its trade receivables, investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements have to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

Financial assets

The group follows the guidance of GRAP 104 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow-moving, damaged and obsolete stock

An allowance is made for stock to be written down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write-down is included in the operational surplus (general expense). Refer to Note 21.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group 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 group 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.

Impairment testing

The group reviews and tests the carrying value of assets when the situation arises that the carrying amount of the asset might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent on 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.

Provisions

Provisions are raised and determined by management. An estimate is made based on the information available. Additional disclosure of these estimates of provisions is included in Note 6 - Provisions.

Useful lives of property, plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norms. The industry norm is adjusted for the entity specific considerations. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 44.

Effective interest rate

The group uses the weighted average cost of capital (WACC) to discount future cash flows in the calculation of provisions (refer to Note 6).

The group has certain borrowings which are linked to the Jibar rate which fluctuated from 6,15% to 8,733% for the year under review. Refer to Note 4.

Allowance for impairment

Impairment is recognised on debtors in surplus and deficit when there is sufficient objective evidence to suggest that there are irrecoverable amounts. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors. 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.

1.5 Biological assets (game) - disclosed under property, plant and equipment

Biological assets (game) - disclosed under property, plant and equipment are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

A gain or loss arising on initial recognition of biological assets (game) - disclosed under property, plant and equipment and is included as a surplus or deficit for the period in which it arises.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Accounting Policies

1.5 Biological assets (game) - disclosed under property, plant and equipment (continued)

Biological assets are derecognised when the group disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

1.6 Investment property

Investment property is property held to earn rental revenue or for capital appreciation or both.

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 group, 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 to 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.

Subsequent to initial measurement, investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

Land held for a currently undetermined future use is recognised as investment property.

The gain or loss on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in the surplus or deficit for the year.

In terms of GRAP 16: Investment property all useful lives of investment properties are reviewed annually on an indicator basis.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Average useful life (years)
Property - land	Indefinite
Property - buildings	6 - 50

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

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

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.

The group separately discloses expenditure to repair and maintain investment property in the notes to the consolidated annual financial statements (see note 14).

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

1.7 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 economic entity; and
- the cost of the item can be measured reliably.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.7 Property, plant and equipment (continued)

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, its 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, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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.

Depreciation is calculated at cost, using the straight-line method over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not significant are reassessed annually on an indicator basis with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

Asset category	Depreciation method	Average useful life (years)
Land	Not depreciated	Indefinite
Infrastructure	Straight line	
• Roads and storm water		4 - 60
• Electricity		6 - 60
• Water		3 - 100
• Sewer		2 - 100
• Solid waste		7 - 20
• Network and telecommunication		5 - 40
• Waste water purification works		4 - 100
• Security		7 - 12
• Airport		5 - 56
Community	Straight line	
• Buildings		3 - 60
• Recreational facilities		4 - 50
• Library books		4 - 15

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.7 Property, plant and equipment (continued)

Other property, plant and equipment	Straight line	
• Furniture and fittings		1 - 35
• Water craft		3 - 16
• Office equipment		1 - 22
• Plant and equipment		1 - 22
• Buildings		3 - 61
• Specialised vehicles		1 - 46
• Other vehicles		1 - 106
• Computer equipment		1 - 45
• Livestock		6 - 16
• Other equipment		1 - 20
• Books		4 - 15
Housing	Straight line	
• Housing		11 - 78
Service concession	Straight line	
• Building (Tshwane House)		25
Leased assets (refer to Note 17)	Straight line	
• Vehicles, equipment, etc		3 - 20

The Data Dictionary contained in the Asset Management Policy contains the details of the components and their specific useful life estimates.

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

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the group. The depreciation method applied to an asset is reviewed at least at each reporting date on an indicator basis 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 depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

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

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

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

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

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Accounting Policies

1.7 Property, plant and equipment (continued)

Impairment of property, plant and equipment

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

Incomplete construction work (assets under construction)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

1.8 Site rehabilitation and restoration cost

The group has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the group incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As 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.

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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 group 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 is attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

The group 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.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the municipality and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

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.

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Accounting Policies

1.9 Intangible assets (continued)

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.

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.

In terms of GRAP 31: Intangibles, all useful lives of intangible assets are reviewed annually on an indicator basis.

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

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

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

Item	Useful life (in years)
Computer software, other	4 - 30
Servitudes	Indefinite

The group discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

The group discloses relevant information relating to the repair and maintenance of intangible assets, in the notes to the financial statements (see note 15).

Intangible assets are derecognised:

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

The gain or loss (difference between the net disposal proceeds and the carrying amount) arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Internal reserves

Self-insurance reserve

A self-insurance reserve was established and, subject to external insurance where deemed necessary, covers claims that might occur. Premiums are charged to the respective services, taking into account the claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers is regarded as an expense and must be shown as such in surplus or deficit for the year. These premiums do not affect the self-insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in surplus or deficit for the year.
- Claims received to meet repairs of damages on assets are reflected as income in surplus or deficit for the year.

The self-insurance reserve is based on recognised insurance industry principles. To determine the level of capacity required, an agreed methodology has been adopted. The calculation of the required capacity of the self-insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the self-insurance reserve
- The following liabilities are taken into account in determining this surplus capacity:
Reported known outstanding claims and statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
- Probability and quantification of a catastrophic loss

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Accounting Policies

1.10 Internal reserves (continued)

- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exists based on the assumption that sufficient capacity will be built up to cover that asset through the Self-insurance reserve over an agreed period of time
- Spread the shortfall over a five-year period (in terms of the Long-term Insurance Strategy)
- Adjust for inflation with the agreed relevant indices
- Determine the annual premium contribution to reach the target capacity over a five-year period
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a five-year period

Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality established a COID reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than a predetermined amount per annum are reinsured by what is called a "COID wrap-around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in surplus or deficit for the year. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

The Compensation Commissioner required a ceded investment or guarantee. This amount is calculated annually by the Department of Labour. The Municipality opted to supply the Compensation Commissioner with a bank guarantee - refer to Note 55.

1.11 Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the Municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development, subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development Fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund must have its own separate bank account or allocated investments and must be backed by cash or related assets.
- Any contributions to or from the fund must be shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.

1.12 Heritage assets

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

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

The group separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 16).

The group discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 16).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

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Accounting Policies

1.12 Heritage assets (continued)

Subsequent measurement

Subsequent to initial measurement, heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Transfers

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

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

Derecognition

The group derecognises heritage assets on disposal, or when no future economic benefits or service potential is expected from its use or disposal.

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

1.13 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 uncollectability.

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

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

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

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

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

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

A hedge is an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as an investment. Hedge accounting is a method of accounting where entries for the ownership of a security and the opposing hedge are treated as one. Hedge accounting attempts to reduce the volatility created by the repeated adjustment of a financial instrument's value, known as marking to market.

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Accounting Policies

1.13 Financial instruments (continued)

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

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

A financial asset is -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Financial instruments (continued)

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

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

- derivatives;
- 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 group 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
Non-exchange: Consumer receivables: Property rates	Financial asset measured at amortised cost
Exchange: Consumer receivables: Services	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Long-term receivables: Housing loans	Financial asset measured at amortised cost
Long-term receivables: Loans to sport clubs	Financial asset measured at amortised cost
Long-term receivables: Sale of land	Financial asset measured at amortised cost
Long-term receivables: Arrangement debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments (short-term deposits of three months and less)	Financial asset measured at amortised cost
Investments (long-term of more than three months)	Financial asset measured at amortised cost
Interest rate swap	Financial asset measured at fair value

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

Class	Category
Exchange:	
Long-term loans: Term loans	Financial liability measured at amortised cost
Long-term loans: Local registered stock	Financial liability measured at amortised cost
Long-term loans: Annuity loans	Financial liability measured at amortised cost
Long-term loans: Municipal bonds	Financial liability measured at amortised cost
Trade payables:	
Payables from exchange transactions	Financial liability measured at amortised cost
Retention creditors	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost
Interest rate swap	Financial liability measured at fair value
Service concession arrangement	Financial liability measured at amortised cost

Initial recognition

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

The group recognises financial assets using trade date accounting.

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Accounting Policies

1.13 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The group measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

Subsequent measurement of financial assets and financial liabilities

The group 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 (if applicable).

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

The group does not apply hedge accounting.

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 group 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 group 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The group does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the group cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the group reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

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Accounting Policies

1.13 Financial instruments (continued)

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost

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.

Derecognition

Financial assets

The group derecognises financial assets using trade date accounting.

The group derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the group, 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 group:
 - derecognises the asset; and
 - recognises 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.

If the group transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the group has retained substantially all the risks and rewards of ownership of the transferred asset, the group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the group recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset and the associated liability nor the revenue and the associated expenses are offset.

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Accounting Policies

1.13 Financial instruments (continued)

Financial liabilities

The group 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.

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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense respectively in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the group does not offset the transferred asset and the associated liability.

1.14 Tax

Current tax assets and liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, and affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused Secondary Tax on Companies (STC) credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised using the net liability method.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

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Accounting Policies

1.14 Tax (continued)

Revenue, expenses and assets are recognised net of the amount of VAT except:

- * Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- * Receivables and payables that are stated with the amount VAT included.

The net amount of VAT recoverable from or payable to, the taxation authority is reported separate from other receivables or payables in the statement of financial position.

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)cB(i)(ff) of the Income Tax Act.

Sandspruit Works Association and Housing Company Tshwane are exempt from tax in terms of section 10(1)cA(ii) of the Income Tax Act.

Tshwane Economic Development Agency (TEDA) registered for tax during the 2013/14 financial year.

1.15 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 building elements, the entity assesses the classification of each element separately.

Finance leases - lessor

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

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

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. The Municipality will not incur a foreign currency lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

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

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

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 return on the remaining balance of the liability.

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

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessor

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

The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability.

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.

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Accounting Policies

1.15 Leases (continued)

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

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

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

When assets are leased out under an operating lease, the assets are included in the Statement of Financial Position based on the nature of the asset.

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 is recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

1.16 Grants, donations and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the group 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. Unconditional grants and receipts are recognised upon receipt.

1.17 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.

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

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.

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

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to the development.

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams that are filled by natural resources and that has not yet been treated, that is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at the reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

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Accounting Policies

1.17 Inventories (continued)

Derecognition of inventory

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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.18 Value-added tax

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with section 15(2) of the VAT Act (Act 89 of 1991).

The group accounts for VAT on the cash basis.

1.19 Grants-in-aid (expense)

The Municipality annually awards grants to individuals and organisations based on merit. 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 future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.20 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.

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

Useful life is either:

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

Criteria developed by the group to distinguish non-cash-generating assets from cash-generating assets are as follows:

The group has implemented GRAP 21 and 26 on the impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during the financial year under review were treated according to GRAP 21: Impairment of non-cash-generating assets. Although the Municipality holds material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash-generating, as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the Municipality's constitutional mandate.

Identification

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

The group 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 group estimates the recoverable service amount of the asset.

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Accounting Policies

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

Irrespective of whether there is any indication of impairment, the entity also annually tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment by comparing its carrying amount with its recoverable service 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 non-cash-generating assets is the present value of the non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset 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 are determined on an "optimised" basis. The rationale is that the group would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an over-designed or over capacity asset. Over-designed assets contain features which are unnecessary for the goods or services the asset provides. Over capacity 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.

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

After 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.

Reversal of an impairment loss

The group 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 group 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 occurs when there is clear evidence that such a redesignation is appropriate.

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Accounting Policies

1.21 Retirement benefits

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related 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 cell phones) for current employees.

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

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

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

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

Post-employment benefits

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

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.21 Retirement benefits (continued)

Multi-employer plans and/or state plans and/or composite social security programmes

The group classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the group accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the group accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the group accounts for the plan as if it was a defined contribution plan.

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 group during a reporting period, the group recognises 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, an group 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 are consistent with the currency and estimated term of the obligation.

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

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

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.21 Retirement benefits (continued)

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

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

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

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

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

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

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

The group 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 Consolidated Annual Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

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

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses;
- Past service cost;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

Actuarial valuations are conducted separately for each plan on an annual basis by independent actuaries. 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 group 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 group re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.21 Retirement benefits (continued)

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

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 are consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

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

Other post-retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The Municipality also provides a gratuity and housing subsidy on retirement to certain employees. The cost for the benefits will be an expense through surplus or deficit.

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

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement right recognised as an asset;
- Actuarial gains and losses, which shall all be recognised immediately;
- Past service cost, which shall all be recognised immediately; and
- The effect of any curtailments or settlements.

Pension, provident and retirement funds

The group and its employees contribute to various pension, provident and retirement funds and its councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds.

Current contributions are charged against the relevant expense account of the group at a percentage of the basic salary paid to employees, or allowances in the case of councillors. Pension contributions in respect of employees who were not members of a pension fund (e.g. gratuities) are recognised as an expense when incurred.

The Tshwane Pension Fund is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by GRAP 25 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of plan assets.

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that the assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of GRAP 25.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.21 Retirement benefits (continued)

Defined contribution plans: Sandspruit Works Association

Sandspruit Works Association has a defined contribution plan registered with Alexander Forbes Retirement Fund (Registration number 12/8/34766). Payments to defined contribution benefits plans are charged as an expense as they fall due.

Tshwane Economic Development Agency (TEDA)

TEDA has a pension fund defined contribution plan with Momentum where employees pay a fixed amount and the employer pays for the administration fees. The entity further has a group risk plan with Discovery Life where employees pay a fixed amount and the employer pays the administration fees which is considered to be a defined contribution plan.

Medical Aid: Continued members

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality.

According to the rules of the medical aid funds associated with the Municipality, a member who joined the organisation under the current conditions of service and retires, is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the basis of the Projected Unit Credit Method prescribed by GRAP 25. Future benefit values are projected using specific actuarial assumptions and the liability for in-service members is accrued over the expected working lifetime. No plan assets exist and any actuarial gains and losses are recognised immediately.

1.22 Provisions and contingencies

Provisions are recognised when:

- the group 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.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group 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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 55.

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 future events not wholly within the control of the group.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality;

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Accounting Policies

1.22 Provisions and contingencies (continued)

- a 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.

Levies

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

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

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

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

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

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

The following provisions exist within the group:

- **Clearing of alien vegetation**
In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.
- **Landfill sites**
The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. A provision was established in 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.
- **Quarries**
In terms of section 52(2)(d) of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.
- **Legal proceedings**
A provision was created in 2013/14 for the legal cost contingencies of certain cases. Refer to Note 6.

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.24 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.

Revenue is derived from a variety of sources, which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably.

An exchange transaction is one in which the group 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.

Revenue from exchange transactions refers to revenue that accrued to the group directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be 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:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- (c) The stage of completion of the transaction at the reporting date can be measured reliably;
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Measurement

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sale of goods

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

- The group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The group 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 group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

- It is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

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Accounting Policies

1.24 Revenue from exchange transactions (continued) Services provided on a prepaid basis

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

Income from agency services is recognised on a monthly basis, limited to the agency fees, once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted for as a liability in the statement of financial position.

Collection charges

Collection charges are recognised when such amounts are incurred/earned.

Housing rental and installments

Income in respect of housing rental and installments are accrued monthly in advance. Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time-proportionate basis

Interest, royalties and dividends

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

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

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

Interest earned on investments is recognised on a time-proportionate basis that takes into account the effective yield on the investments.

Interest earned on outstanding debtors is recognised on a time-proportionate basis.

1.25 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the group, 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 transferrer.

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

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

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

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

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

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

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

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

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Accounting Policies

1.25 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.

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

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

Measurement

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

When, as a result of a non-exchange transaction, the group 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.

Taxes (property rates for municipalities)

The group 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 group 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 to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The group 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

Apart from services in kind, which do not meet the recognition criteria, the group recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Fines

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

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the group, and the fair value of the assets can be measured reliably.

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Accounting Policies

1.25 Revenue from non-exchange transactions (continued)

Gifts, donations and sponsorships, including goods in kind

Gifts, sponsorships 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 group and the fair value of the assets can be measured reliably.

Services in kind

The group recognises services in kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the group and the fair value of the assets can be measured reliably.

Grants, donations and receipts:

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

1.26 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are rendered. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

1.27 Translation of foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Municipality (i.e. South African rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.28 Comparative figures

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

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification are disclosed.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

The comparative figures (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the amended GRAP standards.

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Accounting Policies

1.29 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the group otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act 56 of 2003), and includes:

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

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

1.30 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which is 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 surplus or deficit 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 surplus or deficit.

1.31 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1998 (Act 20 of 1998) or in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

1.32 Borrowing costs

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

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

1.33 Accumulated surplus

Retained earnings or accumulated surplus/(deficit) is the cumulative effect of differences between revenue and expenditure as per statement of financial performance.

1.34 Budget information

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

General-purpose financial reporting by the group 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 01-Jul-16 to 30-Jun-17.

The budget for the economic entity includes all the entities approved budgets under its control.

The consolidated annual financial statements and the budget are on the same basis of accounting (i.e. accrual basis) therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts (Appropriation Statement in terms of Circular 67 of National Treasury). The statement of comparative and actual information has been included in the consolidated annual financial statements as the recommended disclosure when the consolidated annual financial statements and the budget are on the same basis of accounting as determined by the National Treasury.

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Accounting Policies

1.35 Related parties

The group 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 local sphere of government are considered to be related parties if they are under common control. Each municipality and its own municipal entities are related parties. A municipality is not "related" to another municipality as they are not under common control.

Management comprises those persons responsible for planning, directing and controlling the activities of the group, including those charged with the governance of the group in accordance with legislation, in instances where they are required to perform such functions (refer to Note 30 and 31). 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 group (refer to Note 46).

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.

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

1.36 Events after the reporting date

Events after the 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 group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

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

1.37 Service concession arrangements: Entity as grantor

Identification

A service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The group recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the group recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.37 Service concession arrangements: Entity as grantor (continued)

The group does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The group initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The group initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the group to the operator, or from the operator to the group.

Financial liability model

Where the group has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the group accounts for the liability as a financial liability.

The group allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the group to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the group to the operator is determined using estimation techniques.

Grant of a right to the operator model

Where the group does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the group accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the group and the operator.

The group recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the group pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Other liabilities, contingent liabilities and contingent assets

The group accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The group accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the group controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the group recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement is an exchange consideration. This is because the group will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.37 Service concession arrangements: Entity as grantor (continued)

In terms of the policy on revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), that is receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the group recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangements for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

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Notes to the Consolidated Annual Financial Statements

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

Directive 11: Changes in measurement bases following the initial adoption of standards of GRAP

The objective of this directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent to the application of this directive, an entity will be allowed to change its accounting policy in future periods, subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Change in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2015. The municipality should adopt the standard for the first time in the 2016/17 financial year if applicable. However, the directive will not be applied as the municipality applied the cost method and not the revaluation or fair value method on initial adoption of the standards of GRAP.

GRAP 16 (as amended 2015): Investment property

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular the board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the standard, affecting definitions, identification, disclosure, effective date and transitional provisions.

The effective date of the amendment is for years beginning on or after 1 April 2016.

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

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

GRAP 17 (as amended 2015): Property, plant and equipment

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular the board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the amendment is for years beginning on or after 1 April 2016.

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

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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

2.2 Standards and Interpretations early adopted

The group has chosen not to early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 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 group 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 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 group 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 group 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.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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 group 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
- 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 group 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 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 group 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 an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity 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), Property, Plant and Equipment (GRAP 17) or Heritage Assets. 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 entity applies the applicable standard of GRAP to account for the land once control of the land has been determined. An entity 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.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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 for years beginning on or after 1 April 2019.

The group expects to adopt the interpretation for the first time in the 2019 consolidated annual financial statements.

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)
- 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 1 April 2018.

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

The impact of this amendment is currently being assessed.

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 1 April 2018.

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

The impact of this amendment is currently being assessed.

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.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

- 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 1 April 2018.

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

The impact of this amendment is currently being assessed.

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 1 April 2018

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

The group is unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- IPSASB amendments: 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. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 1 April 2018.

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

The group is unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

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

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 1 April 2018.

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

It is unlikely that the amendment will have a material impact on the economic entity's consolidated 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.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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 1 April 2018.

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

It is unlikely that the amendment will have a material impact on the group's consolidated 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 1 April 2018.

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

It is unlikely that the amendment will have a material impact on the group's consolidated 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:

- 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 1 April 2018.

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

It is unlikely that the amendment will have a material impact on the group's consolidated 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 1 April 2018.

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

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

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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 1 April 2018.

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

The group is unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's consolidated 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 consolidated 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.
- 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).

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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 group 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 group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity 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 an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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

The group 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 objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

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

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

The group used the standard to formulate an accounting policy to disclose the accounting entries for Tshwane House which is a service concession arrangement.

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

The group 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 group, but may result in more disclosure than is currently provided in the consolidated 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 group expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

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

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 group. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the group's overall mission. Geographical segments relate to specific outputs generated or particular objectives achieved by an entity 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 effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information needs to be presented on initial adoption of the standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, plant and equipment, recognition requirements of this standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance. The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The group is unable to reliably estimate the impact of the standard on the consolidated annual financial statements.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
3. Housing development fund				
Unappropriated surplus	225,449,115	225,449,115	225,449,115	225,449,115
Less: Loans extinguished by the government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
Housing development fund	156,442,652	156,442,652	156,442,652	156,442,652
The housing development fund is represented by the following assets				
Housing selling scheme loans	10,156,272	9,915,323	10,156,272	9,915,323
Housing debtors	59,328,604	51,244,153	59,328,604	51,244,153
Bank and cash	86,957,776	95,283,176	86,957,776	95,283,176
Housing development fund assets	156,442,652	156,442,652	156,442,652	156,442,652
4. Loans and bonds				
Summary of long-term borrowings:				
Term loans	4,431,871,909	4,432,563,611	4,430,014,405	4,430,390,515
Local registered stock	1,000	1,000	-	-
Municipal bonds	2,177,419,005	2,176,302,934	2,177,419,005	2,176,302,934
Annuity loans	4,782,513,132	4,335,358,128	4,782,513,132	4,335,358,128
	11,391,805,046	10,944,225,673	11,389,946,542	10,942,051,577
Held at amortised cost				
Term loans				
Development Bank of South Africa (1-2100)	1,600,000,000	1,600,000,000	1,600,000,000	1,600,000,000
Unsecured 20-year bullet loan, Jibar rate +2,5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 June 2034.				
Development Bank of South Africa (1-02)	78,331,528	78,331,528	78,331,528	78,331,528
Secured 20-year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 October 2019. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
Nedbank (1-2300)	1,200,000,000	1,200,376,110	1,200,000,000	1,200,376,110
Unsecured 10 year bullet loan, fixed interest rate 11,44% repayable semi-annual, while capital will be redeemed by way of a bullet repayment on the final redemption date, 24 June 2026.				
Development Bank of South Africa (1-2)	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Unsecured 20-year bullet loan, Jibar rate + 2,5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2035.				

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
4. Loans and bonds (continued)				
Development Bank of South Africa (1-400)	51,682,877	51,682,877	51,682,877	51,682,877
Secured 20-year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 September 2018. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
National Housing Finance Corporation (Housing Company Tshwane)	1,857,504	2,173,096	-	-
This loan is secured, bears interest at 14% per annum and is repayable in 93 monthly installments of R53 895.66. The loan is secured by a mortgage bond over the Eloff Building.				
Municipal bonds				
Standard Bank (1-1900)	573,927,890	573,614,904	573,927,890	573,614,904
Unsecured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 2 April 2028. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
Standard Bank (1-1901)	848,437,142	848,022,825	848,437,142	848,022,825
Unsecured 10-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 3 April 2023. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
Standard Bank (1-1950)	755,053,973	754,665,205	755,053,973	754,665,205
Unsecured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 5 June 2028. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
Local registered stock				
TEDA municipal entity shares	1,000	1,000	-	-
Share capital in municipal entity (loan bears no interest and has no fixed terms of repayment).				
Annuity loans				
Standard Bank (1-1300)	730,546,211	784,656,277	730,546,211	784,656,277
Unsecured variable-interest 15-year loan repayable semi-annually in installments of interest and capital, with interest payable on reducing balance until capital is paid off on 29 June 2026.				

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
4. Loans and bonds (continued)				
Development Bank of South Africa (1-1250)	1,002,459,589	-	1,002,459,589	-
Unsecured variable interest rate 15 year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025. Part of the restructuring of loans during 2012/13.				
Development Bank of South Africa (1-950)	112,097,892	118,009,576	112,097,892	118,009,576
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2029.				
Development Bank of South Africa (1-851)	58,688,619	69,478,930	58,688,619	69,478,930
Unsecured fixed-interest 13-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2021.				
Development Bank of South Africa (1-800)	161,404,760	168,013,244	161,404,760	168,013,244
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2028.				
Development Bank of South Africa (1-700)	69,295,670	73,569,020	69,295,670	73,569,020
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2028.				
Development Bank of South Africa (1-701)	162,422,712	168,937,757	162,422,712	168,937,757
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2028.				
Development Bank of South Africa (1-501)	165,189,664	197,482,196	165,189,664	197,482,196
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2021.				

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
4. Loans and bonds (continued)				
Development Bank of South Africa (1-500)	34,108,012	41,632,549	34,108,012	41,632,549
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2021.				
Development Bank of South Africa (1-200)	100,905,273	124,279,960	100,905,273	124,279,960
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2020.				
INCA (1-100)	73,687,936	93,999,872	73,687,936	93,999,872
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2020.				
Development Bank of South Africa (1-52)	56,998,686	89,268,376	56,998,686	89,268,376
Secured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 September 2018.				
Development Bank of South Africa (1-50)	51,803,161	82,005,386	51,803,161	82,005,386
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2018.				
iVuzi Investments (1-550)	88,429,376	103,863,446	88,429,376	103,863,446
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 12 December 2021.				
iVuzi Investments (1-450)	34,646,156	41,258,358	34,646,156	41,258,358
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2021.				
iVuzi Investments (1-300)	38,979,672	47,702,096	38,979,672	47,702,096
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2020.				

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
4. Loans and bonds (continued)				
iVuzi Investments (1-150)	17,198,145	21,807,413	17,198,145	21,807,413
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2020.				
iVuzi Investments (1-0)	4,862,795	6,929,545	4,862,795	6,929,545
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2019.				
Nedbank (1-1150)	142,460,513	181,256,744	142,460,513	181,256,744
Unsecured variable-interest 10-year loan repayable in semi-annual installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2020.				
Nedbank (1-1100)	143,212,254	182,163,078	143,212,254	182,163,078
Unsecured variable-interest 10-year loan repayable in semi-annual installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2020.				
Nedbank (1-852)	78,985,472	93,341,438	78,985,472	93,341,438
Unsecured fixed-interest 13-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2021.				
ABSA Bank Ltd (1-850)	114,943,733	135,788,674	114,943,733	135,788,674
Unsecured fixed-interest 13-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2021.				
Development Bank of South Africa (1-1352)	-	37,928	-	37,928
Unsecured fixed-interest loan repayable in monthly equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 August 2016. Loan taken over from Nokeng Municipality on 1 July 2011.				
iVuzi (FirstRand Bank) (1-1850)	263,157,895	315,789,474	263,157,895	315,789,474
Unsecured (Jibar) variable-interest 9-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2022.				

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
4. Loans and bonds (continued)				
Nedbank (1-1800)	466,865,606	520,434,669	466,865,606	520,434,669
Unsecured (Jibar) variable-interest 16-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 1 March 2023.				
iVuzi (FirstRand Bank) (1-1851)	344,827,586	379,310,345	344,827,586	379,310,345
Unsecured (Jibar) variable-interest 14-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 1 December 2027.				
Nedbank (1-1801)	264,335,744	294,341,777	264,335,744	294,341,777
Unsecured (Jibar) variable-interest 12-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 1 March 2023.				
	11,391,805,046	10,944,225,673	11,389,946,542	10,942,051,577
Non-current liabilities				
At amortised cost	10,662,892,847	10,321,798,390	10,661,349,741	10,319,939,692
Current liabilities				
At amortised cost	728,912,199	622,427,283	728,596,801	622,111,885
	11,391,805,046	10,944,225,673	11,389,946,542	10,942,051,577
Secured and unsecured long-term liabilities				
Secured	185,331,750	216,866,279	183,474,246	214,693,183
Unsecured	11,206,473,296	10,727,359,394	11,206,472,296	10,727,358,394
	11,391,805,046	10,944,225,673	11,389,946,542	10,942,051,577

No defaults or breaches of the loans occurred in the year under review.

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
5. Lease liabilities				
Minimum lease payments due				
- within one year	169,306,738	118,161,856	169,306,738	118,161,856
- in second to fifth year inclusive	493,388,179	36,731,325	493,388,179	36,731,325
	<u>662,694,917</u>	<u>154,893,181</u>	<u>662,694,917</u>	<u>154,893,181</u>
Less: future finance charges	(219,806,451)	(10,840,454)	(219,806,451)	(10,840,454)
Present value of minimum lease payments	<u>442,888,466</u>	<u>144,052,727</u>	<u>442,888,466</u>	<u>144,052,727</u>
Present value of minimum lease payments due				
- within one year	154,158,569	110,418,332	154,158,569	110,418,332
- in second to fifth year inclusive	288,729,897	33,634,395	288,729,897	33,634,395
	<u>442,888,466</u>	<u>144,052,727</u>	<u>442,888,466</u>	<u>144,052,727</u>
Non-current liabilities	288,729,897	33,634,395	288,729,897	33,634,395
Current liabilities	154,158,569	110,418,332	154,158,569	110,418,332
	<u>442,888,466</u>	<u>144,052,727</u>	<u>442,888,466</u>	<u>144,052,727</u>
Value of leases (amortised cost i.e. present value)	442,888,466	144,052,727	442,888,466	144,052,727
Net book value of leased assets	<u>624,964,335</u>	<u>240,088,367</u>	<u>624,964,335</u>	<u>240,088,367</u>

The lease liabilities reflected above relate to the leasing of 120 buses by the Tshwane Bus Services as well as the new lease contract of Fleet Management for the supply of fleet vehicles and fleet related services. The new lease contract of Fleet Management is a Public Private Partnership agreement between Moipone Group of Companies (Pty) Limited, Talis Fleet Limited and Red Fleet Africa.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The average lease term is 3 to 5 years and the average effective borrowing rate is 10,5%. Interest rates are variable at the contract date.

6. Provisions

Reconciliation of provisions - Group - 2017

	Opening balance	Unwinding of interest	Utilised during the year	Increase in provision	Reduction in provision	Total
Clearing of alien vegetation	52,773,645	1,715,048	(2,069,327)	-	(34,167,357)	18,252,009
Legal proceedings	103,429,961	-	-	57,079,019	-	160,508,980
Rehabilitation of landfill sites	614,249,263	70,663,820	(4,361,326)	71,471,809	-	752,023,566
Rehabilitation of quarries	36,089,042	3,584,891	(1,652,884)	130,332	-	38,151,381
Employee benefit cost	9,938	-	(9,938)	-	-	-
	<u>806,551,849</u>	<u>75,963,759</u>	<u>(8,093,475)</u>	<u>128,681,160</u>	<u>(34,167,357)</u>	<u>968,935,936</u>

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

6. Provisions (continued)

Reconciliation of provisions - Group - 2016

	Opening balance	Unwinding of interest	Utilised during the year	Increase in provision	Reduction in provision	Total
Clearing of alien vegetation	44,275,935	4,812,864	(3,691,415)	7,376,261	-	52,773,645
Legal proceedings	33,205,267	-	-	70,224,694	-	103,429,961
Rehabilitation of landfill sites	544,950,671	56,018,461	-	13,280,131	-	614,249,263
Rehabilitation of quarries	33,097,239	3,291,258	(1,761,894)	1,462,439	-	36,089,042
Employee benefit cost	-	-	-	9,938	-	9,938
	655,529,112	64,122,583	(5,453,309)	92,353,463	-	806,551,849

Reconciliation of provisions - Municipality - 2017

	Opening balance	Unwinding of interest rate	Utilised during the year	Increase in provision	Decrease in provision	Total
Clearing of alien vegetation	52,773,645	1,715,048	(2,069,327)	-	(34,167,357)	18,252,009
Legal proceedings	103,429,961	-	-	57,079,019	-	160,508,980
Rehabilitation of landfill sites	614,249,263	70,663,820	(4,361,326)	71,471,809	-	752,023,566
Rehabilitation of quarries	36,089,042	3,584,891	(1,652,884)	130,332	-	38,151,381
	806,541,911	75,963,759	(8,083,537)	128,681,160	(34,167,357)	968,935,936

Reconciliation of provisions - Municipality - 2016

	Opening balance	Unwinding of interest rate	Utilised during the year	Increase in provision	Decrease in provision	Total
Clearing of alien vegetation	44,275,935	4,812,864	(3,691,415)	7,376,261	-	52,773,645
Legal proceedings	33,205,267	-	-	70,224,694	-	103,429,961
Rehabilitation of landfill sites	544,950,671	56,018,461	-	13,280,131	-	614,249,263
Rehabilitation of quarries	33,097,239	3,291,258	(1,761,894)	1,462,439	-	36,089,042
	655,529,112	64,122,583	(5,453,309)	92,343,525	-	806,541,911

The carrying amount of the rehabilitation provisions increases in each period to reflect the passage of time (also referred to as unwinding of interest).

Due to the nature of the legal cases, it is not foreseen that it will be finalised within the next 12 months and therefore there is no short-term portion.

In terms of GRAP 19, provisions should be evaluated at each reporting date to reflect the best estimate of the cost of rehabilitation at that date of the provision. The discounting rate is 10.371% (2016: 10.035%). The timing of the outflow is uncertain, as well as the relating amounts due to discounting and changes in inflation rates. The net result of the re-estimation had the following effect on the current year.

Landfill sites

The increase in the provision amounted to R71 471 809 (2016: R13 280 131). The increase in the cost of property, plant and equipment amounted to R71 471 809 (2016: R13 280 131). The amount recognised in surplus and deficit due to re-estimation where the adjustment exceed the carrying amount of the asset amounted to R0 (2016: R0).

Quarries

The increase in the provision amounted to R130 332 (2016: R1 462 439). The increase in the cost of property, plant and equipment amounted to R130 332 (2016: R1 462 439). The amount recognised in surplus and deficit due to re-estimation where the adjustment exceed the carrying amount of the asset amounted to R0 (2016: R0).

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

6. Provisions (continued)

Alien vegetation

The decrease in the provision amounted to R34 167 357 (2016: R7 376 261 increase). The decrease in the cost of property, plant and equipment amounted to R25 005 458 (2016: R7 376 261 increase). The amount recognised in surplus and deficit due to re-estimation where the adjustment exceeded the carrying amount of the asset amounted to R9 161 899 (2016: R0).

Environmental rehabilitation provision - landfill sites

The group has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established to address the backlogs that exist.

Rehabilitation of quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), section 52(2)(d), the group is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

Legal proceedings provision

A provision for legal cost with regard to certain cases was created due to the fact that it was probable (more likely than not) that a present obligation existed at the reporting date and that the municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature.

The cases included in the provision are still pending and disclosing details will prejudice the position of the municipality in a dispute with other parties on the subject matter.

Employee benefit cost - Housing Company Tshwane

Short-term absences for which the employees are compensated for, include only vacation leave for employees. Sick leave was not provided for since employees forfeit it when they leave the company.

7. Financial instruments disclosure

Categories of financial instruments

Group - 2017

Financial assets

	At fair value	At amortised cost	Total
Investments	-	1,713,247,490	1,713,247,490
Other receivables	-	1,194,637,758	1,194,637,758
Consumer receivables	-	3,002,338,660	3,002,338,660
Cash and bank	-	456,778,833	456,778,833
Long-term receivables	-	116,666,712	116,666,712
Interest rate swap asset	18,743,157	-	18,743,157
	18,743,157	6,483,669,453	6,502,412,610

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
7. Financial instruments disclosure (continued)				
Financial liabilities				
	At fair value	At amortised cost	Total	
Retention creditors	-	431,633,949	431,633,949	
Trade and other payables from exchange transactions	-	5,135,943,985	5,135,943,985	
Consumer deposits	-	411,345,192	411,345,192	
Long-term Loans: term loans, bonds	-	5,816,726,431	5,816,726,431	
Long-term loans: interest rate swaps	-	5,575,078,615	5,575,078,615	
Interest rate swap liability	142,995,983	-	142,995,983	
Service concession arrangement	-	1,042,545,771	1,042,545,771	
Lease liabilities	-	442,888,466	442,888,466	
	142,995,983	18,856,162,409	18,999,158,392	
Group - 2016				
Financial assets				
	At fair value	At amortised cost	Total	
Investments	-	1,091,540,496	1,091,540,496	
Other receivables	-	915,448,812	915,448,812	
Consumer receivables	-	2,206,017,397	2,206,017,397	
Cash and bank	-	93,910,194	93,910,194	
Long-term receivables	-	114,075,318	114,075,318	
Interest rate swap asset	43,936,952	-	43,936,952	
	43,936,952	4,420,992,217	4,464,929,169	
Financial liabilities				
	At fair value	At amortised cost	Total	
Retention creditors	-	432,030,198	432,030,198	
Trade and other payables from exchange transactions	-	5,487,323,622	5,487,323,622	
Consumer deposits	-	379,915,638	379,915,638	
Long-term loans: term loans, bonds	-	5,436,569,139	5,436,569,139	
Long-term loans: interest rate swaps	-	5,507,656,534	5,507,656,534	
Interest rate swap liability	147,119,727	-	147,119,727	
Service concession arrangement	-	672,256,650	672,256,650	
Lease liabilities	-	144,052,727	144,052,727	
	147,119,727	18,059,804,508	18,206,924,235	
Municipality - 2017				
Financial assets				
	At fair value	At amortised cost	Total	
Investments	-	1,712,819,449	1,712,819,449	
Other receivables	-	921,090,353	921,090,353	
Consumer receivables	-	2,979,494,355	2,979,494,355	
Cash and bank	-	398,775,497	398,775,497	
Long-term receivables	-	116,666,712	116,666,712	
Interest rate swap asset	18,743,157	-	18,743,157	
	18,743,157	6,128,846,366	6,147,589,523	
Financial liabilities				
	At fair value	At amortised cost	Total	
Retention creditors	-	431,633,949	431,633,949	
Trade and other payables from exchange transactions	-	4,813,947,896	4,813,947,896	

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
7. Financial instruments disclosure (continued)				
Consumer deposits	-	-	407,336,926	407,336,926
Long-term loans: term loans, bonds	-	-	5,814,867,927	5,814,867,927
Long-term loans: interest rate swaps	-	-	5,575,078,615	5,575,078,615
Interest rate swap liability	142,995,983	-	-	142,995,983
Service concession arrangement	-	-	1,042,545,771	1,042,545,771
Lease liabilities	-	-	442,888,466	442,888,466
		142,995,983	18,528,299,550	18,671,295,533

Municipality - 2016

Financial assets

	At fair value	At amortised cost	Total
Investments	-	1,088,140,581	1,088,140,581
Other receivables	-	812,799,176	812,799,176
Consumer receivables	-	2,197,068,951	2,197,068,951
Cash and bank	-	74,581,166	74,581,166
Long-term receivables	-	114,075,318	114,075,318
Interest rate swap asset	43,936,952	-	43,936,952
	43,936,952	4,286,665,192	4,330,602,144

Financial liabilities

	At fair value	At amortised cost	Total
Retention creditors	-	432,030,198	432,030,198
Trade and other payables from exchange transactions	-	5,372,123,146	5,372,123,146
Consumer deposits	-	375,949,547	375,949,547
Long-term loans: term loans, bonds	-	5,434,395,043	5,434,395,043
Long-term loans: interest rate swaps	-	5,507,656,534	5,507,656,534
Interest rate swap liability	147,119,727	-	147,119,727
Service concession arrangement	-	672,256,650	672,256,650
Lease liabilities	-	144,052,727	144,052,727
	147,119,727	17,938,463,845	18,085,583,572

8. Financial instruments: Risks involved

Risks

In the course of the group's business operations it is exposed to interest rate, credit, liquidity and market risk. The group has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

There was no change in the exposure to risk and how it arises since the previous financial year. There was also no change in the objectives, policies and processes for managing the risk and the methods used to measure the risk since the previous financial year.

Interest rate risk

Interest rate risk arises from the fluctuations in the economic market due to the economic climate. The group manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The group's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. Although the interest rate swap for the past 2 financial years showed an estimated net loss, it will average out over the long-term as the interest rate swaps were taken up for periods ranging between 9 to 20 years.

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

8. Financial instruments: Risks involved (continued)

There was no change in the exposure to risk and how they arise since the previous financial year. There was further no change in the objectives, policies and processes for managing the risk and the methods used to measure the risk.

Year ended 30 June 2017 - Group

Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
			Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
Assets							
Investments	1,712,536,970	710,520	16.45	24.75			1,713,247,490
Long-term receivables:							
Housing loans		10,156,272	13.87	30.00			10,156,272
Sport club loans		1,041,030	11.99	10.00			1,041,030
Sale of land		69,397,504	11.09	5.00			69,397,504
Arrangement debtors		860,267	10.50		116,135,356		116,995,623
Trade receivables:							
Consumer		5,929,951,905	10.50	1.00	1,537,460,390		7,467,412,295
Other					1,690,726,716		1,690,726,716
Cash		456,778,833					-
Interest rate swap asset	18,743,157						18,743,157
Total financial assets	1,731,280,127	6,468,896,331			3,344,322,462		11,087,720,087
Liabilities							
Interest bearing borrowings	1,884,628,176	3,932,098,255	10.37	5.70			5,816,726,431
Interest rate swaps (notional amounts)	890,312,448	4,684,766,167	9.75	11.80			5,575,078,615
Lease liabilities		442,888,466					442,888,466
Trade payables:							
Creditors					5,135,943,985	0.08	5,135,943,985
Retention					431,633,949	1.00	431,633,949
Consumer deposits					411,345,192	0.08	411,345,192
Service concession arrangements					1,042,545,771		1,042,545,771
Interest rate swap liability	142,995,983						142,995,983
Total financial liabilities	2,917,936,607	9,059,752,888			7,021,468,897		18,999,158,392

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

8. Financial instruments: Risks involved (continued)

Year ended 30 June 2016 - Group

Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
			Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
Assets							
Investments	1,090,829,976	710,520	16.45	24.75			1,091,540,496
Long-term receivables:							
Housing loans		9,915,323	13.87	30.00			9,915,323
Sport club loans		1,088,333	11.99	10.00			1,088,333
Sale of land		67,735,412	11.09	5.00			67,735,412
Arrangement debtors		1,171,779	9.75		113,647,264		114,819,043
Trade receivables:							
Consumer		4,653,818,704	9.75	1.00	1,758,466,363		6,412,285,067
Other					1,294,873,116		1,294,873,116
Cash		93,910,194					93,910,194
Interest rate swap asset	43,636,952						43,636,952
Total financial assets	1,134,466,928	4,828,350,265			3,166,986,743		9,129,803,936
Liabilities							
Interest bearing borrowings	1,531,177,565	3,905,391,574	10.04	14.69			5,436,569,139
Interest rate swaps (notional amounts)	3,990,312,448	1,517,344,086	9.53	11.60			5,507,656,534
Lease liabilities		144,052,727					144,052,727
Trade payables:							
Creditors					5,487,323,622	0.08	5,487,323,622
Retention					432,030,198	1.00	432,030,198
Consumer deposits					379,915,637	0.08	379,915,637
Service concession arrangements					672,256,650		672,256,650
Interest rate swap liability	147,119,727						147,119,727
Total financial liabilities	5,668,609,740	5,566,788,387			6,971,526,107		18,206,924,234

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality				
	2017	2016 Restated*	2017	2016 Restated*			
8. Financial instruments: Risks involved (continued)							
Year ended 30 June 2017 - Municipality							
Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
			Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
Assets							
Investments	1,712,108,929	710,520	16.45	24.75			1,712,819,449
Long-term receivables:							
Housing loans		10,156,272	13.87	30.00			10,156,272
Loans to sport clubs		1,041,030	11.99	10.00			1,041,030
Sale of land		69,397,504	11.09	5.00			69,397,504
Arrangement debtors		860,267	10.50		116,135,356		116,995,623
Trade receivables:							
Consumer		5,076,007,739	10.50	1.00	1,506,090,294		6,582,098,033
Other					1,416,384,316		1,416,384,316
Cash		398,775,497					398,775,497
Interest rate swap asset	18,743,157						18,743,157
Total financial assets	1,730,852,086	5,556,948,829			3,038,609,966		10,326,410,881
Liabilities							
Interest bearing borrowings	1,882,769,672	3,932,098,255	10.37	5.70			5,814,867,927
Interest rate swaps	890,312,448	4,684,766,167	9.75	11.80			5,575,078,615
Lease liabilities		442,888,466					442,888,466
Trade payables:							
Creditors					4,813,947,896	0.08	4,813,947,896
Retention					431,633,949	1.00	431,633,949
Consumer deposits					407,336,926	0.08	407,336,926
Service concession arrangement					1,042,545,771		1,042,545,771
Interest rate swap liability	142,995,983						142,995,983
Total financial liabilities	2,916,078,103	9,059,752,888			6,695,464,542		18,671,295,533

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

8. Financial instruments: Risks involved (continued)

Year ended 30 June 2016 - Municipality

Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
			Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
Assets							
Investments	1,087,430,061	710,520	16.45	24.75			1,088,140,581
Long-term receivables:							
Housing loans		9,915,323	13.87	30.00			9,915,323
Sport club loans		1,088,333	11.99	10.00			1,088,333
Sale of land		67,735,412	11.09	5.00			67,735,412
Arrangement debtors		1,171,779	9.75		113,647,264		114,819,043
Trade receivables:							
Consumer		3,951,597,775	9.75	1.00	1,727,983,031		5,679,580,806
Other					1,191,655,172		1,191,655,172
Cash		74,581,166					74,581,166
Interest rate swap asset	43,636,952						43,636,952
Total financial assets	1,131,067,013	4,106,800,308			3,033,285,467		8,271,152,788
Liabilities							
Interest bearing borrowings	1,529,003,469	3,905,391,574	10.04	14.69			5,434,395,043
Interest rate swaps (notional amounts)	3,990,312,448	1,517,344,086	9.53	11.60			5,507,656,534
Lease liabilities		144,052,727					144,052,727
Trade payables:							
Creditors					5,372,123,146	0.08	5,372,123,146
Retention					432,030,198	1.00	432,030,198
Consumer deposits					375,949,547	0.08	375,949,547
Service concession arrangements					672,256,650		672,256,650
Interest rate swap liability	147,119,727						147,119,727
Total financial liabilities	5,666,435,644	5,566,788,387			6,852,359,541		18,085,583,572

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

8. Financial instruments: Risks involved (continued)

Interest rate swaps (Municipality only)

The group has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the group to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the reporting date the group had entered into the following interest rate swaps relating to specific statement of financial position items:

	Fair value	Estimated fair value gain/(loss)
30 June 2017		
Non-current assets: interest rate swap asset	18,743,157	(25,193,795)
Non-current liability: interest rate swap liability	(142,995,983)	4,123,744
	(124,252,826)	(21,070,051)
	Fair value	Estimated fair value gain/(loss)
30 June 2016		
Non-current assets: interest rate swap asset	43,936,952	(86,185,804)
Non-current liability: interest rate swap liability	(147,119,727)	(61,494,319)
	(103,182,775)	(147,680,123)

Currency risk

The group undertakes certain transactions denominated in foreign currencies (although the transactions entered into are with service providers based in South Africa), hence exposures to exchange rate fluctuations might arise. The group, however, manages this risk by entering into contracts where the risk is carried by the service provider.

Credit risk

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the group to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the group obtains appropriate deposits and guarantees from debtors to mitigate risk. The group's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The group limits its treasury counter-party exposure arising from the money market by only dealing with well-established financial institutions confirmed by the rating agency appointed by the Group Chief Financial Officer. The group only deals with financial institutions with a short-term credit rating of A+ and long-term credit rating of AA- and higher at an international accredited credit-rating agency. The group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the group's customer base and their dispersion across different industries and geographical areas. The group does not have any significant exposure to any individual customer or counter-party. Accordingly, the group does not consider there to be any significant concentration of credit risk that has not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

8. Financial instruments: Risks involved (continued)

The trade receivables as presented does not include any debt relating to property rates, as property rates do not meet the definition criteria for financial instruments. Strict credit control procedures are in place to mitigate the credit risk relating to trade receivables.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year to the group's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The major concentrations of credit risk (as a percentage) that arise from the group's receivables in relation to customer classification are as follows:

	Group 30 June 2017 %	Group 30 June 2016
Consumer receivables:		
Household	51	46
Industrial/commercial	20	19
National and provincial government	7	13
Other consumer receivables	2	4
Long-term receivables	2	2
Sundry receivables	18	16
	100	100

Liquidity risk

The group manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecast cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the group ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

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

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

	30 June 2018	30 June 2019	30 June 2020
External funding: Capital expenditure (Municipality only)	1,000,000,000	1,000,000,000	1,300,000,000
Grant funding: capital expenditure (Municipality only)	2,379,284,000	2,168,936,000	2,301,281,000

Market risk

The group is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The group manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

Interest rate risk management: The group's interest rate profile consists of fixed and floating rate loans and bank balances that exposes the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets/liabilities

Trade and other receivables/payables: At a fixed rate of interest -

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and, where possible, using fixed-rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

8. Financial instruments: Risks involved (continued)

Fair values

The group's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are carried at amortised cost. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt), approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi-annually is capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest-bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

The fair value of financial liabilities at statement of financial position date is as follows:

Year ended	Fair value	Carrying amount
Group: 30 June 2017		
Liabilities		
Interest rate swaps	142,995,983	142,995,983
Group: 30 June 2016		
Liabilities		
Interest rate swaps	147,119,727	147,119,727

Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
8. Financial instruments: Risks involved (continued)				
Year ended 30 June 2017 - Group				
	1 year or less	1 to 5 years	Over 5 years	Total
Assets				
Investments	1,584,031,208	129,216,282	-	1,713,247,490
Long-term receivables:				
Housing loans	430,572	9,725,700	-	10,156,272
Loans to sport clubs	579,149	461,881	-	1,041,030
Sale of land	511,757	68,885,747	-	69,397,504
Arrangement debtors	89,483,738	27,511,885	-	116,995,623
Trade receivables:				
Consumer	3,902,412,886	3,564,999,409	-	7,467,412,295
Other debtors	1,205,103,225	485,623,491	-	1,690,726,716
Cash	456,778,833	-	-	456,778,833
Interest rate swap asset	-	18,743,157	-	18,743,157
Total financial assets	7,239,331,368	4,305,167,552	-	11,544,498,920
Liabilities				
Interest-bearing borrowings	-	2,446,708,908	3,370,017,523	5,816,726,431
Interest rate swaps	-	-	5,575,078,615	5,575,078,615
Lease liabilities	154,158,569	288,729,897	-	442,888,466
Trade payables:				
Creditors	5,135,943,985	-	-	5,135,943,985
Retention	-	431,633,949	-	431,633,949
Consumer deposits	-	411,345,192	-	411,345,192
Interest rate swap liability	-	142,995,983	-	142,995,983
Service concession arrangements	57,645,018	984,900,753	-	1,042,545,771
Total financial liabilities	5,347,747,572	4,706,314,682	8,945,096,138	18,999,158,392

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
8. Financial instruments: Risks involved (continued)				
Year ended 30 June 2016 - Group				
	1 year or less	1 to 5 years	Over 5 years	Total
Assets				
Investments	971,713,447	119,827,049	-	1,091,540,496
Long-term receivables:				
Housing loans	432,361	9,482,962	-	9,915,323
Loans to sport clubs	579,145	509,184	-	1,088,329
Sale of land	542,680	67,192,732	-	67,735,412
Arrangement debtors	93,692,788	21,126,255	-	114,819,043
Trade receivables:				
Consumer	3,625,911,236	2,786,373,831	-	6,412,285,067
Other debtors	848,720,087	446,153,029	-	1,294,873,116
Cash	93,910,194	-	-	93,910,194
Interest rate swap asset	-	43,936,952	-	43,936,952
Total financial assets	5,635,501,938	3,494,601,994	-	9,130,103,932
Liabilities				
Interest-bearing borrowings	-	1,877,164,593	3,559,404,546	5,436,569,139
Interest rate swaps	-	-	5,507,656,534	5,507,656,534
Lease liabilities	110,418,332	33,634,395	-	144,052,727
Trade payables:				
Creditors	5,487,323,622	-	-	5,487,323,622
Retention	-	432,030,198	-	432,030,198
Consumer deposits	-	379,915,638	-	379,915,638
Interest rate swap liability	-	147,119,727	-	147,119,727
Service concession arrangements	672,256,650	-	-	672,256,650
Total financial liabilities	6,269,998,604	2,869,864,551	9,067,061,080	18,206,924,235

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
8. Financial instruments: Risks involved (continued)				
Year ended 30 June 2017 - Municipality				
	1 Year or less	1 to 5 years	Over 5 years	Total
Assets				
Investments	1,583,603,167	129,216,282	-	1,712,819,449
Long-term receivables:				
Housing loans	430,572	9,725,700	-	10,156,272
Loans to sport clubs	579,149	461,881	-	1,041,030
Sale of land	511,757	68,885,747	-	69,397,504
Arrangement debtors	89,483,738	27,511,885	-	116,995,623
Trade receivables:				
Consumer	3,025,539,143	3,556,558,890	-	6,582,098,033
Other debtors	896,462,295	519,922,021	-	1,416,384,316
Cash	398,775,497		-	398,775,497
Interest rate swap asset		18,743,157	-	18,743,157
Total financial assets	5,995,385,318	4,331,025,563	-	10,326,410,881
Liabilities				
Interest-bearing borrowings	-	2,446,708,908	3,368,159,019	5,814,867,927
Interest rate swaps			5,575,078,615	5,575,078,615
Lease liabilities	154,158,569	288,729,897	-	442,888,466
Trade payables:				
Creditors	4,813,947,896	-	-	4,813,947,896
Retention	-	431,633,949	-	431,633,949
Consumer deposits	-	407,336,926	-	407,336,926
Service concession arrangement	57,645,018	984,900,753	-	1,042,545,771
Interest rate swap liability	-	142,995,983	-	142,995,983
Total financial liabilities	5,025,751,483	4,702,306,416	8,943,237,634	18,671,295,533

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
8. Financial instruments: Risks involved (continued)				
Year ended 30 June 2016 - Municipality				
	1 year or less	1 to 5 years	Over 5 years	Total
Assets				
Investments	968,313,532	119,827,049	-	1,088,140,581
Long-term receivables:				
Housing loans	432,361	9,482,962	-	9,915,323
Loans to sport clubs	579,149	509,184	-	1,088,333
Sale of land	542,680	67,192,732	-	67,735,412
Arrangement debtors	93,692,788	21,126,255	-	114,819,043
Trade receivables:				
Consumer	2,893,206,975	2,786,373,831	-	5,679,580,806
Other debtors	711,203,613	480,451,559	-	1,191,655,172
Cash	74,581,166	-	-	74,581,166
Interest rate swap asset	-	43,936,952	-	43,936,952
Total financial assets	4,742,552,264	3,528,900,524	-	8,271,452,788
Liabilities				
Interest-bearing borrowings	-	1,874,990,497	3,559,404,546	5,434,395,043
Interest rate swaps	-	-	5,507,656,534	5,507,656,534
Lease liabilities	110,418,332	33,634,395	-	144,052,727
Trade payables:				
Creditors	5,372,123,146	-	-	5,372,123,146
Retention	-	432,030,198	-	432,030,198
Consumer deposits	-	375,949,547	-	375,949,547
Interest rate swap liability	-	147,119,727	-	147,119,727
Service concession arrangements	672,256,650	-	-	672,256,650
Total financial liabilities	6,154,798,128	2,863,724,364	9,067,061,080	18,085,583,572

Hedging

Hedging is not applicable in the environment of the group except with regard to interest rate risk.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in Notes 4, 5, and cash and cash equivalents disclosed in Note 24, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

		Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
8. Financial instruments: Risks involved (continued)					
		The gearing ratio at 30 June 2017 and 2016 respectively were as follows:			
Total borrowings					
Finance lease obligation	5	442,888,466	144,052,727	442,888,466	144,052,727
Long-term loans	4	11,391,805,046	10,944,225,673	11,389,946,542	10,942,051,577
		11,834,693,512	11,088,278,400	11,832,835,008	11,086,104,304
Less: Cash and cash equivalents	24	2,169,315,803	1,186,049,084	2,110,884,426	1,163,320,141
Net debt		9,665,377,709	9,902,229,316	9,721,950,582	9,922,784,163
Total equity		22,702,793,836	18,719,684,250	22,631,972,745	18,678,775,227
Total capital		32,368,171,545	28,621,913,566	32,353,923,327	28,601,559,390
9. Consumer deposits					
Electricity and water		411,345,192	379,915,638	407,336,926	375,949,547
Guarantees held:					
Electricity and water consumers (who do not have deposits)		153,166,265	153,707,255	153,166,265	153,707,255
Township development guarantees		343,714,427	385,911,280	343,714,427	385,911,280
		496,880,692	539,618,535	496,880,692	539,618,535
10. Payables from exchange transactions					
Trade payables		3,566,902,286	4,077,359,421	3,247,562,862	3,972,693,900
Payments received in advance - various services		561,837,729	645,361,345	561,582,969	645,189,245
Accrued leave pay		804,718,445	673,669,010	793,294,203	664,471,922
Deposits received		35,924,806	34,547,028	35,372,282	34,019,628
Debtors with credit balances - reclassification		948,717,849	854,830,149	948,717,849	854,830,149
Other creditors		704,708,262	634,336,594	702,604,121	624,348,725
Retention creditors		431,633,949	432,030,198	431,633,949	432,030,198
Accrual 13th cheque		213,090,734	218,949,744	211,055,640	216,345,889
		7,267,534,060	7,571,083,489	6,931,823,875	7,443,929,656

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
11. Unspent grants and receipts				
Unspent grants and receipts comprise:				
Unspent conditional grants and receipts				
DoRA: INEP (Electricity for All)	-	199,351	-	199,351
DoRA: Finance Management Grant (FMG)	-	93,292	-	93,292
Human Settlement Development Grant (HSDG)	179,322,667	68,644,888	179,322,667	68,644,888
DoRA: Urban Settlement Development Grant (USDG)	2,889,029	-	2,889,029	-
DoRA: PTIS	67,481,390	2,258,342	67,481,390	2,258,342
Delft grant	2,293,422	2,293,422	2,293,422	2,293,422
Research and Technology	74,688	74,688	74,688	74,688
Arts and Culture Grant (Libraries)	2,309,705	3,867,830	2,309,705	3,867,830
Gautrans job creation	11,961,294	12,071,107	11,961,294	12,071,107
Broadband (Wi-fi)	1,086,882	1,086,882	1,086,882	1,086,882
Municipal Disaster Recovery Grant	1,447,864	1,447,864	1,447,864	1,447,864
Public Transport Network Operating grant (PTNOG)	485,940	741,147	485,940	741,147
Electricity Demand Side	-	7,000,000	-	7,000,000
Integrated City Development	36,506,515	29,477,260	36,506,515	29,477,260
Human Settlements Capacity Grant	-	1,035,104	-	1,035,104
	305,859,396	130,291,177	305,859,396	130,291,177

Movement during the year

Balance at the beginning of the year	130,291,177	170,644,491	130,291,177	170,365,637
Receipts during the year	6,359,514,764	5,930,802,718	6,359,514,764	5,930,802,716
Transfers between grants (returned to NT deducted from current year)	-	3,261,986	-	3,261,986
Returned to National Treasury	(60,350,068)	(3,261,986)	(60,350,068)	(3,261,986)
Repaid to Gauteng Provincial Treasury	-	(1,224,800)	-	(1,224,800)
Correction (transfer to other revenue)	-	(616,028)	-	(616,028)
Income recognition during the year	(6,123,596,477)	(5,969,036,348)	(6,123,596,477)	(5,969,036,348)
	-	(278,856)	-	-
	305,859,396	130,291,177	305,859,396	130,291,177

The figures above shows:

- The nature and extent of all government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the Municipality has directly benefited; and
- Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year.

See Note 27 for reconciliation of grants from national/provincial government. These amounts are invested in a ring-fenced investment until utilised.

12. VAT

VAT refundable	4,363,938	4,955,043	-	-
VAT payable	(1,603,308,583)	(540,861,692)	(1,592,960,075)	(539,903,025)
	(1,598,944,645)	(535,906,649)	(1,592,960,075)	(539,903,025)

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment

Group	2017			2016		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	275,900,912	-	275,900,912	272,093,080	-	272,093,080
Buildings	1,001,998,199	(600,957,335)	401,040,864	975,805,910	(570,161,147)	405,644,763
Buildings: Asset under construction	39,068,233	-	39,068,233	748,027,265	-	748,027,265
Tshwane House (refer to Note 61)	1,129,911,631	(6,277,287)	1,123,634,344	-	-	-
Biological assets (game)	19,007,270	-	19,007,270	16,792,560	-	16,792,560
Infrastructure: capitalised	26,452,011,875	(7,921,148,201)	18,530,863,674	25,191,220,278	(7,028,891,511)	18,162,328,767
Community	3,773,192,213	(1,193,291,825)	2,579,900,388	3,705,226,287	(1,056,255,558)	2,648,970,729
Other: Capitalised	2,900,749,269	(1,829,613,086)	1,071,136,183	2,635,309,551	(1,532,564,765)	1,102,744,786
Infrastructure: Asset under construction	8,243,836,145	-	8,243,836,145	6,715,700,291	-	6,715,700,291
Community: Asset under construction	273,767,361	-	273,767,361	226,888,035	-	226,888,035
Other: Asset under construction	458,284,822	-	458,284,822	275,051,814	-	275,051,814
Housing	860,537,075	(117,682,577)	742,854,498	681,776,125	(104,159,174)	577,616,951
Housing: Asset under construction	359,975,636	-	359,975,636	517,541,235	-	517,541,235
Total	45,788,240,641	(11,668,970,311)	34,119,270,330	41,961,432,431	(10,292,032,155)	31,669,400,276

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Municipality

	2017			2016		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	991,327,537	(597,075,908)	394,251,629	965,728,895	(567,391,932)	398,336,963
Land	273,600,912	-	273,600,912	269,793,080	-	269,793,080
Buildings: Asset under construction	-	-	-	733,365,230	-	733,365,230
Tshwane House (refer note 61)	1,129,911,631	(6,277,287)	1,123,634,344	-	-	-
Biological assets (game)	19,007,270	-	19,007,270	16,792,560	-	16,792,560
Infrastructure: Capitalised	26,439,299,917	(7,908,757,358)	18,530,542,559	25,178,095,628	(7,017,306,754)	18,160,788,874
Infrastructure: Asset under construction	8,243,836,145	-	8,243,836,145	6,715,700,291	-	6,715,700,291
Community: Capitalised	3,773,192,213	(1,193,291,825)	2,579,900,388	3,705,226,287	(1,056,255,558)	2,648,970,729
Community: Asset under construction	273,767,361	-	273,767,361	226,888,035	-	226,888,035
Other: Capitalised	2,879,811,343	(1,818,751,016)	1,061,060,327	2,609,628,624	(1,517,524,024)	1,092,104,600
Other: Asset under construction	458,284,822	-	458,284,822	275,051,814	-	275,051,814
Housing: Capitalised	860,537,075	(117,682,577)	742,854,498	681,776,125	(104,159,174)	577,616,951
Housing: Asset under construction	359,975,636	-	359,975,636	517,541,235	-	517,541,235
Total	45,702,551,862	(11,641,835,971)	34,060,715,891	41,895,587,804	(10,262,637,442)	31,632,950,362

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	272,093,080	10,597,676	(27,291)	-	(6,762,553)	-	-	-	-	275,900,912
Buildings	405,644,763	23,111,214	(293,243)	-	4,403,497	-	-	(31,825,367)	-	401,040,864
Buildings: Asset under construction	748,027,265	24,406,198	-	-	(733,365,230)	-	-	-	-	39,068,233
Tshwane House (refer note 61)	-	361,983,350	-	34,563,051	733,365,230	-	-	(6,277,287)	-	1,123,634,344
Biological assets (game)	16,792,560	-	-	-	-	2,214,710	-	-	-	19,007,270
Infrastructure: capitalised	18,162,328,767	406,999,255	(61,867,268)	966,258,028	8,440,546	-	-	(951,295,654)	-	18,530,863,674
Infrastructure: Asset under construction	6,715,700,291	2,503,322,963	-	(975,177,889)	(9,220)	-	-	-	-	8,243,836,145
Community: Capitalised	2,648,970,729	36,048,876	(2,325,809)	45,123,489	(281,808)	-	-	(147,551,536)	(83,553)	2,579,900,388
Community: Asset under construction	226,888,035	94,005,673	(2,066,338)	(45,060,009)	-	-	-	-	-	273,767,361
Other: Capitalised	1,102,744,786	245,565,462	(3,012,126)	4,809,017	4,738,430	-	2,434	(281,081,187)	(2,630,633)	1,071,136,183
Other: Asset under construction	275,051,814	227,858,711	(9,000)	(44,616,703)	-	-	-	-	-	458,284,822
Housing	577,616,951	601,500	(70,000)	188,535,600	(10,528,891)	-	-	(13,300,662)	-	742,854,498
Housing: Asset under construction	517,541,235	30,970,001	-	(188,535,600)	-	-	-	-	-	359,975,636
	31,669,400,276	3,965,470,879	(69,671,075)	(14,101,016)	1	2,214,710	2,434	(1,431,331,693)	(2,714,186)	34,119,270,330

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair value	ME: Other movements	Depreciation	Impairment loss	Total
Land	274,880,843	9,070,200	(749,263)	-	(11,108,700)	-	-	-	-	272,093,080
Buildings	432,598,609	3,560,517	-	10,295,155	(9,291,153)	-	-	(31,518,365)	-	405,644,763
Buildings: Asset under construction	61,108,580	686,918,685	-	-	-	-	-	-	-	748,027,265
Biological assets (game)	14,478,788	-	-	-	-	2,313,772	-	-	-	16,792,560
Infrastructure:	17,401,528,516	385,639,510	(91,831,274)	1,381,868,042	13,624,415	-	-	(928,500,442)	-	18,162,328,767
Capitalised										
Infrastructure: Asset under construction	5,252,771,535	3,009,660,203	(149,570,629)	(1,425,288,920)	28,128,102	-	-	-	-	6,715,700,291
Community: Capitalised	2,510,813,863	98,494,000	(3,357,246)	229,300,100	(51,231,905)	-	-	(135,048,083)	-	2,648,970,729
Community: Asset under construction	309,040,185	177,487,893	-	(215,865,286)	(43,774,757)	-	-	-	-	226,888,035
Other: Capitalised	1,203,984,418	135,644,887	(4,462,212)	38,946,977	(25,967,258)	-	(340,727)	(244,698,532)	(362,767)	1,102,744,786
Other: Asset under construction	91,916,004	225,505,718	(167,295)	(119,167,471)	76,964,858	-	-	-	-	275,051,814
Housing	392,955,494	-	(4,210,944)	227,485,184	(25,504,780)	-	-	(13,108,003)	-	577,616,951
Housing: Asset under construction	389,210,083	322,535,600	-	(197,945,148)	3,740,700	-	-	-	-	517,541,235
	28,335,286,918	5,054,517,213	(254,348,863)	(70,371,367)	(44,420,478)	2,313,772	(340,727)	(1,352,873,425)	(362,767)	31,669,400,276

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2017

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair value	Depreciation	Impairment loss	Total
Land	269,793,080	10,597,676	(27,291)	-	(6,762,553)	-	-	-	273,600,912
Buildings	398,336,963	23,111,214	(293,243)	-	4,403,497	-	(31,306,802)	-	394,251,629
Buildings: Assets under construction	733,365,230	-	-	-	(733,365,230)	-	-	-	-
Tshwane House (refer note 61)	-	361,983,350	-	34,563,051	733,365,230	-	(6,277,287)	-	1,123,634,344
Biological assets (game)	16,792,560	-	-	-	-	2,214,710	-	-	19,007,270
Infrastructure: Capitalised	18,160,788,874	406,999,255	(61,562,194)	966,258,028	8,440,546	-	(950,381,950)	-	18,530,542,559
Infrastructure: Asset under construction	6,715,700,291	2,503,322,963	-	(975,177,889)	(9,220)	-	-	-	8,243,836,145
Community: Capitalised	2,648,970,729	36,048,876	(2,325,809)	45,123,489	(281,808)	-	(147,551,536)	(83,553)	2,579,900,388
Community: Asset under construction	226,888,035	94,005,673	(2,066,338)	(45,060,009)	-	-	-	-	273,767,361
Other: Capitalised	1,092,104,600	242,884,917	(2,723,400)	4,809,016	4,738,431	-	(278,122,604)	(2,630,633)	1,061,060,327
Other: Asset under construction	275,051,814	227,858,711	(9,000)	(44,616,703)	-	-	-	-	458,284,822
Housing: Capitalised	577,616,951	601,500	(70,000)	188,535,600	(10,528,891)	-	(13,300,662)	-	742,854,498
Housing: Asset under construction	517,541,235	30,970,001	-	(188,535,600)	-	-	-	-	359,975,636
	31,632,950,362	3,938,384,136	(69,077,275)	(14,101,017)	2	2,214,710	(1,426,940,841)	(2,714,186)	34,060,715,891

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2016

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair values	Depreciation	Impairment loss	Total
Land	272,580,843	9,070,200	(749,263)	-	(11,108,700)	-	-	-	269,793,080
Buildings	424,849,169	3,560,518	-	10,295,155	(9,291,153)	-	(31,076,726)	-	398,336,963
Buildings: Asset under construction	61,108,580	672,256,650	-	-	-	-	-	-	733,365,230
Biological assets	14,478,788	-	-	-	-	2,313,772	-	-	16,792,560
Infrastructure: Capitalised	17,399,222,076	385,638,198	(91,831,274)	1,381,868,042	13,624,415	-	(927,732,583)	-	18,160,788,874
Infrastructure: Asset under construction	5,252,771,535	3,009,660,203	(149,570,629)	(1,425,288,920)	28,128,102	-	-	-	6,715,700,291
Community: Capitalised	2,510,813,863	98,494,000	(3,357,246)	229,300,100	(51,231,905)	-	(135,048,083)	-	2,648,970,729
Community: Asset under construction	309,040,185	177,487,893	-	(215,865,286)	(43,774,757)	-	-	-	226,888,035
Other: Capitalised (refer to accounting policy 1.6)	1,195,355,361	132,860,653	(4,334,910)	38,946,978	(25,967,258)	-	(244,393,457)	(362,767)	1,092,104,600
Other: Asset under construction	91,916,004	225,505,718	(167,295)	(119,167,471)	76,964,858	-	-	-	275,051,814
Housing: Capitalised	392,955,494	-	(4,210,944)	227,485,184	(25,504,780)	-	(13,108,003)	-	577,616,951
Housing: Asset under construction	389,210,083	322,535,600	-	(197,945,148)	3,740,700	-	-	-	517,541,235
	28,314,301,981	5,037,069,633	(254,221,561)	(70,371,366)	(44,420,478)	2,313,772	(1,351,358,852)	(362,767)	31,632,950,362

Pledged as security

No property, plant and equipment are pledged as security, except for leased assets (refer to Note 5 and 17).

Other information

Depreciation on property, plant and equipment (refer to Note 32)

Property, plant and equipment	1,347,086,351	1,287,923,378	1,342,695,499	1,286,408,805
Rehabilitation assets	84,245,342	64,950,047	84,245,342	64,950,047
	1,431,331,693	1,352,873,425	1,426,940,841	1,351,358,852

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
13. Property, plant and equipment (continued)				
Property, plant and equipment in the process of being constructed or developed				
Cumulative expenditure recognised in the carrying value of property, plant and equipment				
Buildings	29,024,741	747,119,042	-	733,365,230
Infrastructure	8,441,101,677	6,758,873,730	8,441,101,677	6,758,873,730
Community	279,265,841	226,888,035	279,265,841	226,888,035
Housing	359,975,636	517,541,235	359,975,636	517,541,235
Other	462,652,772	275,461,364	462,652,772	275,461,364
	9,572,020,667	8,525,883,406	9,542,995,926	8,512,129,594
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected				
Awaiting completion documentation from contractor	408,527,136	178,106,322	408,527,136	178,106,322
Project still at commissioning stage	46,104,114	37,156,647	46,104,114	37,156,647
Contractor not yet appointed	163,187	-	163,187	-
Project still in planning stage	17,921,464	129,188,371	17,921,464	129,188,371
Project dependent on relocation of residents	1,572,250	3,664,591	1,572,250	3,664,591
Project dependent on registration of servitudes	2,488,206	2,488,206	2,488,206	2,488,206
Project still under construction	300,225,239	57,190,891	300,225,239	57,190,891
Project dependant on obtaining water licences	5,091,399	47,590,789	5,091,399	47,590,789
	782,092,995	455,385,817	782,092,995	455,385,817
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)				
Project halted due to legal proceedings	210,429,909	137,866,772	210,429,909	137,866,772
Project halted due to discontinued smart meter project	38,830,656	-	38,830,656	-
Project halted due to insurance claims	69,840,839	1,814,557	69,840,839	1,814,557
Project halted due to funding constraints and reprioritisation of projects	267,292,255	127,254,764	267,292,255	127,254,764
	586,393,659	266,936,093	586,393,659	266,936,093

An impairment loss of R123 216 100 has been recognised in prior years on the above assets.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance can be split as follows:

Contracted services	552,170,743	714,260,269	552,170,743	714,260,269
General expenses	427,339,307	633,243,675	426,205,838	631,420,721
Other materials	5,385,479	2,881,841	5,385,479	2,881,841
	984,895,529	1,350,385,785	983,762,060	1,348,562,831

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 group and the relevant municipal entities.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

13. Property, plant and equipment (continued)

Useful lives:

According to GRAP 17: Property, plant and equipment, all useful lives of property, plant and equipment are reviewed annually on an indicator basis.

Since reviewing the useful life of an asset on an annual basis does not require amending the previous estimate unless expectations differ from the previous estimate, the useful life of assets have only been amended in the case where expectations differed from previous estimates.

Treatment of all useful lives to be adjusted:

All remaining useful lives that were adjusted for the 2016/17 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to Note 56). All changes in estimates occur prospectively and no prior year adjustments were made. All reviews of useful life adjustments occurred with effect from 1 July 2016. The following were the reasons for the review of useful life adjustments:

Water and sanitation assets:

In 2016/17 the remaining useful lives of assets were adjusted, where applicable, to align with-

- the expected useful lives (and where applicable residual values) in the adopted data;
- the assessed condition based on physical inspections (above ground assets); and
- the condition identified through an assessment (pipe replacement prioritisation) of age, condition (where applicable), performance and the respective data confidence.

Consumer meters:

For all consumer meters having a RUL of less than equal to 24 months, the RUL as at 1 July 2016, was increased with an additional 60 months.

All other assets:

The following condition grading scale was used in 2016/17 to test the RUL of the assets in comparison to the condition of the asset:

- Grade 1: Very good - sound structure, well maintained, only normal maintenance required: Average 91% indicative RUL
- Grade 2: Good - serves needs but minor deterioration (<5%), minor maintenance required: Average 71% indicative RUL
- Grade 3: Fair - marginal, clearly evident deterioration (10 - 20%), significant maintenance required: Average 51% indicative RUL
- Grade 4: Poor - significant deterioration of structure and/or appearance, significant impairment of functionality (20 - 40%), significant renewal/upgrade required: Average 31% indicative RUL
- Grade 5: Very poor - unsound, failed needs reconstruction/replacement (50% needs replacement): Average 11% indicative RUL

Consideration was given to the assessment of the asset. Where the conditions of assets are indicated as either very good, good or fair, the RUL was not adjusted. Where no indication was made by custodian departments it was assumed that the assets are still in use and in a fair condition, hence the expectations do not differ from those of the prior year and therefore no adjustment was made.

In instances where the condition of an asset was indicated as very poor or scrap, the RUL of the asset was determined using the average percentage as per the grading above. However, where the average percentage was applied and the RUL amounted to less than 13 months for assets with a condition of very poor, the RUL for the 2016/17 financial year was extended to 13 months, preventing the asset to depreciate to R0 during the year. Ideally during the 2017/18 financial year these assets must be disposed of in terms the SCM Policy.

In instances where the condition of an asset was indicated as poor, the RUL of the asset was determined using the average percentage as per the grading above. However, where the average percentage was applied and the RUL amounted to less than 18 months, the RUL was adjusted to 18 months, and where the RUL when applying the average percentage amounted to less than the RUL as at 1 July 2016, the RUL was decreased to the calculated RUL, however where the average percentage was applied and the RUL resulted in a longer RUL, the RUL was left unchanged.

In instances where departments indicated the RUL in years and months, the RUL was amended based on the information provided, if realistic.

For all assets having a RUL of zero or less than 24 months, consideration was given to the change in expectation as at 1 July 2016 and a decision was taken by management to amend the RUL as follows:

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

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	2017	2016 Restated*	2017	2016 Restated*

13. Property, plant and equipment (continued)

- For movable assets, the RUL was adjusted to 25 months in order to allow for departments to consider the future use of the assets vs the replacement of these assets.
- For immovable assets, the RUL was adjusted with a further 37 months, seeing that these assets are used in the ordinary delivery of services to the community. The same as for movable assets, the responsible departments will also have to consider the future use of the assets vs the replacement/upgrading thereof.

A total of 711 515 assets were affected. The change in annual depreciation is a decrease of R62 064 252.

TEDA:

During 2015/16, TEDA reviewed the useful lives of its assets, namely IT equipment and computer software. The change in annual depreciation is a decrease of R73 917.

Impairment:

The City of Tshwane has implemented the Standards of GRAP 21 and GRAP 26 on impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during this financial year were treated according to GRAP 21: Impairment of non-cash-generating assets.

Although the City of Tshwane holds material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the Municipality's constitutional mandate. According to GRAP 21.11 there is a number of circumstances in which entities may hold some assets with the primary objective of generating a commercial return. None of the assets that were impaired in the 2015/16 financial year are held for the purpose of generating a commercial return.

In 2016/17 the Asset Compliance and Control Division forwarded a questionnaire to all departments regarding the assets under their control. According to the questionnaire, departments had to indicate whether any assets under their control need to be impaired. Based on the results of these questionnaires and available information, impairment tests were performed and assets were impaired where necessary.

In 2016/17 the Asset Compliance and Control Division forwarded a questionnaire to all departments regarding the assets under their control. According to the questionnaire, departments had to indicate whether any assets under their control need to be impaired. Based on the results of these questionnaires and available information, impairment tests were performed and assets were impaired where necessary.

Impairment indicators:

- Assets were impaired according to specific indicators, including vandalism, physical damage, discontinued assets and assets that became idle.

Transfers/purifications:

Transfers are the transfer of assets between cost centres, whereas transfer purifications is the transfer of assets to correct components in terms of the data dictionary or sub-classifications.

* See Note 47

City of Tshwane Metropolitan Municipality

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Figures in Rand

14. Investment property

Group

	2017			2016		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	960,350,491	(188,404,630)	771,945,861	957,018,150	(184,807,481)	772,210,669
Investment property: Asset under construction	1,154,596	-	1,154,596	397,900	-	397,900
Total	961,505,087	(188,404,630)	773,100,457	957,416,050	(184,807,481)	772,608,569

Municipality

	2017			2016		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	960,350,491	(188,404,630)	771,945,861	957,018,150	(184,807,481)	772,210,669
Investment property: Asset under construction	1,154,596	-	1,154,596	397,900	-	397,900
Total	961,505,087	(188,404,630)	773,100,457	957,416,050	(184,807,481)	772,608,569

Reconciliation of investment property - Group - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Depreciation	Total
Investment property: Capitalised	772,210,669	3,100,001	(165,560)	397,900	(3,597,149)	771,945,861
Investment property: Asset under construction	397,900	1,154,596	-	(397,900)	-	1,154,596
	772,608,569	4,254,597	(165,560)	-	(3,597,149)	773,100,457

City of Tshwane Metropolitan Municipality

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14. Investment property (continued)

Reconciliation of investment property - Group - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalised	Transfers/Purification	Depreciation	Total
Investment property: Capitalised	734,851,648	4,037,978	(12,595,565)	6,570,878	44,450,132	(5,104,402)	772,210,669
Investment property: Asset under construction	-	6,968,778	-	(6,570,878)	-	-	397,900
	734,851,648	11,006,756	(12,595,565)	-	44,450,132	(5,104,402)	772,608,569

Reconciliation of investment property - Municipality - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalised	Depreciation	Total
Investment property: Capitalised	772,210,669	3,100,001	(165,560)	397,900	(3,597,149)	771,945,861
Investment property: Asset under construction	397,900	1,154,596	-	(397,900)	-	1,154,596
	772,608,569	4,254,597	(165,560)	-	(3,597,149)	773,100,457

Reconciliation of investment property - Municipality - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalised	Transfers/Purification	Depreciation	Total
Investment property: Capitalised	734,851,648	4,037,978	(12,595,565)	6,570,878	44,450,132	(5,104,402)	772,210,669
Investment property: Asset under construction	-	6,968,778	-	(6,570,878)	-	-	397,900
	734,851,648	11,006,756	(12,595,565)	-	44,450,132	(5,104,402)	772,608,569

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
14. Investment property (continued)				
Pledged as security				
No investment property is pledged as security.				
Investment property in the process of being constructed or developed				
Cumulative expenditure recognised in the carrying value of Investment property				
Investment property - Cost	1,154,596	397,900	1,154,596	397,900
No projects under investment property took a significantly longer period of time than expected or were halted.				
Expenditure incurred to repair and maintain investment properties				
Sidings	273,177	293,113	273,177	293,113

* See Note 47

City of Tshwane Metropolitan Municipality

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15. Intangible assets

Group	2017			2016		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	401,635,703	(214,488,059)	187,147,644	367,650,748	(158,638,016)	209,012,732
Servitudes	201,592,005	-	201,592,005	199,165,590	-	199,165,590
Total	603,227,708	(214,488,059)	388,739,649	566,816,338	(158,638,016)	408,178,322

Municipality	2017			2016		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	401,223,548	(214,273,680)	186,949,868	367,238,593	(158,491,639)	208,746,954
Servitudes	201,592,005	-	201,592,005	199,165,590	-	199,165,590
Total	602,815,553	(214,273,680)	388,541,873	566,404,183	(158,491,639)	407,912,544

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers/Purification	Amortisation	Impairment loss	Total
Computer software, other	209,012,732	21,498,414	-	12,486,540	-	(55,837,379)	(12,663)	187,147,644
Servitudes	199,165,590	811,938	-	1,614,477	-	-	-	201,592,005
	408,178,322	22,310,352	-	14,101,017	-	(55,837,379)	(12,663)	388,739,649

City of Tshwane Metropolitan Municipality

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15. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers/Purification	Amortisation	Impairment loss	Total
Computer software, other	135,589,494	46,325,440	-	70,371,373	(29,656)	(43,243,919)	-	209,012,732
Servitudes	199,165,590	-	-	-	-	-	-	199,165,590
	334,755,084	46,325,440	-	70,371,373	(29,656)	(43,243,919)	-	408,178,322

Reconciliation of intangible assets - Municipality - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers/Purification	Amortisation	Impairment loss	Total
Computer software	208,746,954	21,498,414	-	12,486,541	-	(55,769,377)	(12,664)	186,949,868
Servitudes	199,165,590	811,938	-	1,614,477	-	-	-	201,592,005
	407,912,544	22,310,352	-	14,101,018	-	(55,769,377)	(12,664)	388,541,873

Reconciliation of intangible assets - Municipality - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers/Purification	Amortisation	Impairment loss	Total
Computer software	135,189,826	46,265,624	-	70,371,373	(29,656)	(43,050,213)	-	208,746,954
Servitudes	199,165,590	-	-	-	-	-	-	199,165,590
	334,355,416	46,265,624	-	70,371,373	(29,656)	(43,050,213)	-	407,912,544

Pledged as security

No intangible assets are pledged as security.

Expenditure incurred to repair and maintain intangible assets

Computer software, processor ware, etc	<u>77,431,130</u>	<u>79,643,033</u>	<u>77,431,130</u>	<u>79,643,033</u>
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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

15. Intangible assets (continued)

Intangible assets in the process of being constructed or developed

Currently there is no intangible assets in the process of being constructed or developed.

Currently there is no projects under intangible assets that is taking a significantly longer period of time to complete than expected.

16. Heritage assets

Group	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	455,908,633	-	455,908,633	448,570,918	-	448,570,918
Collections of rare books, manuscripts and records	826,050	-	826,050	826,050	-	826,050
Historical monuments	2,400,000	-	2,400,000	2,400,000	-	2,400,000
Historical buildings	3,157,787,330	-	3,157,787,330	3,157,787,330	-	3,157,787,330
Stamp collections, military insignia, medals, coin	11,853,750	-	11,853,750	577,500	-	577,500
Assets under construction	19,718,699	-	19,718,699	19,718,699	-	19,718,699
Total	3,648,494,462	-	3,648,494,462	3,629,880,497	-	3,629,880,497

Municipality	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	455,908,633	-	455,908,633	448,570,918	-	448,570,918
Collections of rare books, manuscripts and records	826,050	-	826,050	826,050	-	826,050
Historical monuments	2,400,000	-	2,400,000	2,400,000	-	2,400,000
Historical buildings	3,157,787,330	-	3,157,787,330	3,157,787,330	-	3,157,787,330
Stamp collections, military insignia, medals, coin	11,853,750	-	11,853,750	577,500	-	577,500
Assets under construction	19,718,699	-	19,718,699	19,718,699	-	19,718,699
Total	3,648,494,462	-	3,648,494,462	3,629,880,497	-	3,629,880,497

Reconciliation of heritage assets Group - 2017

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	448,570,918	9,305,565	(1,967,850)	455,908,633
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	3,157,787,330
Stamp collections, military insignia, medals, coin	577,500	9,308,400	1,967,850	11,853,750
Assets under construction	19,718,699	-	-	19,718,699
	3,629,880,497	18,613,965	-	3,648,494,462

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

16. Heritage assets (continued)

Reconciliation of heritage assets Group - 2016

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	445,940,321	2,630,597	-	448,570,918
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	3,157,787,330
Stamp collections, military insignia, medals, coin	577,500	-	-	577,500
Assets under construction	-	19,718,699	-	19,718,699
	3,607,531,201	22,349,296	-	3,629,880,497

Reconciliation of heritage assets - Municipality 2017

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	448,570,918	9,305,565	(1,967,850)	455,908,633
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	3,157,787,330
Stamp collections, military insignia, medals, coin	577,500	9,308,400	1,967,850	11,853,750
Assets under construction	19,718,699	-	-	19,718,699
	3,629,880,497	18,613,965	-	3,648,494,462

Reconciliation of heritage assets Municipality - 2016

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	445,940,321	2,630,597	-	448,570,918
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	3,157,787,330
Stamp collections, military insignia, medals, coin	577,500	-	-	577,500
Assets under construction	-	19,718,699	-	19,718,699
	3,607,531,201	22,349,296	-	3,629,880,497

Pledged as security

No heritage assets are pledged as security. Further there are no existence and amounts of restrictions on the title and disposal of heritage assets.

Heritage assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Heritage assets

Historical buildings	19,718,699	19,718,699	19,718,699	19,718,699
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The heritage assets under construction relate to the project for the revamp of the City Hall. It was not halted but a forensic audit is underway on this project.

Expenditure incurred to repair and maintain heritage assets

Currently no expenditure has been incurred to repair and maintain heritage assets.

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group			Municipality	
	2017	2016 Restated*		2017	2016 Restated*

17. Leased assets

Group	2017			2016		
	Cost/Valuation	Accumulated depreciation	Carrying value	Cost/Valuation	Accumulated depreciation	Carrying value
Vehicles	704,122,239	(79,157,904)	624,964,335	266,860,621	(26,772,254)	240,088,367

Municipality	2017			2016		
	Cost/Valuation	Accumulated depreciation	Carrying value	Cost/Valuation	Accumulated depreciation	Carrying value
Vehicles	704,122,239	(79,157,904)	624,964,335	266,860,621	(26,772,254)	240,088,367

Reconciliation of leased assets - Group - 2017

Vehicles	Opening balance	Additions	Retirements	Depreciation	Total
	240,088,367	437,613,523	-	(52,737,555)	624,964,335

Reconciliation of leased assets - Group - 2016

Vehicles	Opening balance	Additions	Retirements	Depreciation	Total
	256,004,698	-	-	(15,916,331)	240,088,367

Reconciliation of leased assets - Municipality 2017

Vehicles	Opening balance	Additions	Retirements	Depreciation	Total
	240,088,367	437,613,523	-	(52,737,555)	624,964,335

Reconciliation of leased assets - Municipality - 2016

Vehicles	Opening balance	Additions	Retirements	Depreciation	Total
	256,004,698	-	-	(15,916,331)	240,088,367

18. Disposal of a significant asset(s)/or a group of assets and liabilities/or a component of the entity

Management has taken a decision to dispose of a significant asset/or a group of assets and liabilities/or a component of the entity.

Description of the asset(s), group of assets and liabilities or component

Mostly office furniture and equipment, computer equipment, machinery and equipment and minor infrastructure items have been marked for disposal and were in the auction yard at year end.

During 2016/17 a number of properties were sold.

Carrying values

Assets in the auction yard (auction still to be held)	49,337	1,835,902	49,337	1,835,902
Sale of properties (completed)	125,560	14,748,522	125,560	14,748,522
Disposal of assets	1,944,697	251,410	1,944,697	251,410

Facts and circumstances of the disposal

The assets in the auction yard are mostly furniture and equipment, computer equipment, machinery and equipment and minor infrastructure items that have been marked for disposal as they are in most cases damaged or outdated and no longer fit for usage by the group.

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

18. Disposal of a significant asset(s)/or a group of assets and liabilities/or a component of the entity (continued)

Further approvals required

Approval by the City Manager is required to hold an auction.

The expected sale or transfer date is still to be determined.

Disposals completed during the year

During the 2016/17 financial year the transfer of 3 properties were completed for which legal agreements were signed, with a carrying value of R125 560.

A number of movable assets were sold during the 2016/17 financial year with a carrying value of R1 944 697. The fair value of these assets were determined as R8 333 765.

Circumstances that may have resulted in a decision to dispose of an asset being reversed during the reporting period

None.

19. Investments

Investments at amortised cost

Short-term investments	1,712,536,970	1,090,829,976	1,712,108,929	1,087,430,061
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Investments at amortised cost

Municipal stock	710,520	710,520	710,520	710,520
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Total investments

	1,713,247,490	1,091,540,496	1,712,819,449	1,088,140,581
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Non-current assets

Long-term investments (at amortised cost)	710,520	710,520	710,520	710,520
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Current assets

Short-term investments (at amortised cost - refer note 24)	1,712,536,970	1,090,829,976	1,712,108,929	1,087,430,061
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No financial assets were disposed of during the year under review.

The market value (indicated below) was obtained from balance certificates from the various financial institutions.

* See Note 47

City of Tshwane Metropolitan Municipality

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	2017	2016 Restated*	2017	2016 Restated*
19. Investments (continued)				
Market value of listed investments and management's valuation of unlisted investments:				
Knysna Municipality - local registered stock (interest payable semi-annually)	710,520	710,520	710,520	710,520
Capital Alliance no 28 (unceded)	695,879	665,869	695,879	665,869
Capital Alliance no 29 (unceded)	2,181,297	2,094,822	2,181,297	2,094,822
ABSA Money Market investment no 32 (interest capitalised monthly) (unceded)	31,667,477	29,375,840	31,667,477	29,375,840
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded)	11,097,423	10,294,351	11,097,423	10,294,351
ABSA Money Market investment no 34 (interest capitalised monthly) (unceded)	8,311,764	7,710,278	8,311,764	7,710,278
ABSA Money Market investment no 35 (interest capitalised monthly) (unceded)	182,992	169,750	182,992	169,750
Investec Money Market investment no 37 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	27,793,917	25,783,185	27,793,917	25,783,185
Investec Money Market investment no 38 (interest capitalised monthly) (unceded)	8,883,477	8,240,809	8,883,477	8,240,809
Investec Money Market investment no 39 (interest capitalised monthly) (unceded)	1,190,067	1,103,972	1,190,067	1,103,972
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	100,711,845	93,333,343	100,711,845	93,333,343
Standard Bank Money Market investment no 41 (interest capitalised monthly) (unceded)	3,125,968	2,896,949	3,125,968	2,896,949
Investec Money Market investment no 108 (interest capitalised monthly) (unceded)	31,884,566	29,779,404	31,884,566	29,779,404
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	73,043,244	68,220,819	73,043,244	68,220,819
Standard Bank call investment - short term investment	459,048,777	25,318,421	459,048,777	25,318,421
Nedbank call investment - short term investment	1,026,760	25,443,938	1,026,760	25,443,938
ABSA call investment - short term investment	1,016,413	51,358,980	1,016,413	51,358,980
Stanlib Contingency fund investment - short term investment	247,063	28,196,762	247,063	28,196,762
Sinking fund investment - call investment at Standard bank at an interest rate of 5.1% #	950,000,000	677,442,569	950,000,000	677,442,569
TEDA - Investec Bank investment	428,041	3,399,915	-	-
	1,713,247,490	1,091,540,496	1,712,819,449	1,088,140,581
Average rate of return				
On long-term investments	16.45 %	16.45 %	16.45 %	16.45 %
On short-term investments	6.91 %	6.28 %	6.91 %	6.28 %

No investments were past due. No impairment occurred during the financial year under review.

Provision is made for the payment of the Advanced Metering and Vending Infrastructure in terms of the Interim Services Agreement. On 12 October 2017 the High Court ruled that the amount of R950 million be released to the City.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
19. Investments (continued)				
Financial assets pledged as collateral				
Secured and unsecured investments				
Secured investments against long-term liabilities (refer Note 4)	128,505,761	119,116,528	128,505,761	119,116,528
Unsecured investments	1,584,741,729	972,423,968	1,584,313,688	969,024,053
	1,713,247,490	1,091,540,496	1,712,819,449	1,088,140,581

Investments pledged (secured investments) against long-term liabilities

Secured investments against long-term liabilities	128,505,761	119,116,528	128,505,761	119,116,528
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The City of Tshwane assigns, transfers and makes over unto and in favour of the Cessionary all the cedent's rights, title and interest in and to the ceded subject matter.

The investments are ceded together with all dividends, interest, distributions, accruals, rights, income and other benefits of a capital or revenue nature, arising there from or accruing to the holder thereof.

Terms and conditions associated with the use of the collateral: In the event of the cedent failing to effect payment, on due date, of any amount due in terms of either one of the loan agreements, or committing any other breach of the terms and conditions thereof, and the cedent failing to make that payment or remedy the breach with the notice period provided in the loan agreements, then in such event, the cessionary shall be entitled, in addition to its common law rights as cessionary, to the following rights and powers:

* to realise the ceded subject matter, or any portion thereof, in such a manner in order to procure the discharge of the indebtedness then outstanding.

* to apply the proceeds of realisation in reduction of the indebtedness due to the cessionary and to account within 14 days to the cedent for any excess.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
20. Long-term receivables				
Consumer: Arrangement debtors (refer to note 22)	116,995,623	114,819,043	116,995,623	114,819,043
Housing loans	10,156,272	9,915,323	10,156,272	9,915,323
Loans to sport clubs	1,041,030	1,088,333	1,041,030	1,088,333
Sale of land	69,397,504	67,735,412	69,397,504	67,735,412
	<u>197,590,429</u>	<u>193,558,111</u>	<u>197,590,429</u>	<u>193,558,111</u>
Current portion of long-term receivables	(91,005,216)	(95,249,478)	(91,005,216)	(95,249,478)
	<u>106,585,213</u>	<u>98,308,633</u>	<u>106,585,213</u>	<u>98,308,633</u>
Impairment allowance	(80,923,717)	(79,482,793)	(80,923,717)	(79,482,793)
	<u>25,661,496</u>	<u>18,825,840</u>	<u>25,661,496</u>	<u>18,825,840</u>
Reconciliation of impairment allowance				
Balance at the beginning of the year	(79,482,793)	(66,776,468)	(79,482,793)	(66,776,468)
Contribution to provision during the year	(1,440,924)	(12,706,325)	(1,440,924)	(12,706,325)
	<u>(80,923,717)</u>	<u>(79,482,793)</u>	<u>(80,923,717)</u>	<u>(79,482,793)</u>

Consumer: Arrangement debtors

A policy exists which grants consumer debtors an opportunity to make arrangements to pay off their arrear debt over a period of 12, 24 or 36 months with a deposit payable.

Housing loans

Housing loans were granted to qualifying individuals in terms of the Provincial Administration's Housing Programme. These loans attracted interest of 13,5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable. No new loans were issued in the current financial year.

Loans to sport clubs

Sport clubs that qualified signed a 99-year leasehold agreement with the Municipality at a nominal amount and were provided with financial assistance from the Municipality to build or improve a facility for which the funds are repayable over a period and the club has no claim to the improvements after the expiration of the leasehold agreement.

Sale of land debtors

Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicate the amount of the deposit (10%) and VAT (14%), is issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 9%. Interest is calculated monthly on the outstanding balance of the property.

As from 1 March 2014 all land sales are conducted on payment of the full amount to the Municipality by the purchaser. No terms for extended payment are offered and full payment is required on registration.

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Consumer: Arrangement debtors

121 - 365 days	89,483,738	93,692,788	89,483,738	93,692,788
> 365 days	27,511,885	21,126,255	27,511,885	21,126,255
	<u>116,995,623</u>	<u>114,819,043</u>	<u>116,995,623</u>	<u>114,819,043</u>

Housing loans

121 - 365 days	430,572	432,361	430,572	432,361
> 365 days	9,725,700	9,482,962	9,725,700	9,482,962
	<u>10,156,272</u>	<u>9,915,323</u>	<u>10,156,272</u>	<u>9,915,323</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
Loans to sport clubs				
121 - 365 days	579,149	579,149	579,149	579,149
> 365 days	461,881	509,184	461,881	509,184
	1,041,030	1,088,333	1,041,030	1,088,333
Sale of land				
121 - 365 days	511,757	542,680	511,757	542,680
> 365 days	68,885,747	67,192,732	68,885,747	67,192,732
	69,397,504	67,735,412	69,397,504	67,735,412

21. Inventories

Raw materials, components	530,995,719	419,749,682	528,277,098	417,220,103
Water	10,116,774	6,630,260	9,370,584	6,031,783
Food and beverage	-	2,496	-	2,496
Fuel (diesel, petrol)	1,223,394	8,125,517	1,223,394	8,125,517
Bus tickets	3,241,377	2,248,822	3,241,377	2,248,822
Plants (nursery)	135,257	68,596	135,257	68,596
Quarries	1,852,570	1,357,513	1,852,570	1,357,513
Coal (power stations)	144,794,307	138,735,004	144,794,307	138,735,004
	692,359,398	576,917,890	688,894,587	573,789,834

Inventory pledged as security

No inventory is pledged as security.

The write down of the general inventory is only done at year end. During July 2016 the inventory of the TLMA restaurant to the value of R1 896 was written down as the items were damaged. The figure shown below is the net of surpluses and losses.

Write-down of inventory (included in general expenditure)

Surplus inventory (items identified during stock take)	195,989	834,696	195,989	834,696
Shortages	(88,987)	(1,513,791)	(88,987)	(1,513,791)
Theft	(2,727,121)	(2,482,491)	(2,727,121)	(2,482,491)
Revaluation of inventory	(435,674)	(75,068)	(435,674)	(75,068)
Damaged inventory	(336,316)	(1,116,675)	(336,316)	(1,116,675)
Obsolete inventory	(779,950)	(1,058,378)	(779,950)	(1,058,378)
Rounding differences	366	118	366	118
	(4,171,693)	(5,411,589)	(4,171,693)	(5,411,589)

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
22. Consumer receivables				
The City of Tshwane has a consolidated account billing system. The split of debtors per service category is done on a pro rata basis based on the levies.				
The interest and other fees and levies indicated below cannot be split between exchange and non-exchange transactions. They are included in the total age analysis.				
Service receivables				
Rates	2,207,233,301	2,262,571,162	2,207,233,301	2,262,571,162
Electricity	1,404,431,397	1,423,117,010	1,404,431,397	1,423,117,010
Water	3,530,917,565	2,916,526,843	2,645,603,303	2,183,822,581
Other fees and levies	1,309,353,136	540,270,324	1,309,353,136	540,270,324
Sewerage	369,313,940	377,880,280	369,313,940	377,880,280
Refuse	608,012,800	554,743,942	608,012,800	554,743,942
Interest	1,671,732,216	1,254,836,035	1,671,732,216	1,254,836,035
	<u>11,100,994,355</u>	<u>9,329,945,596</u>	<u>10,215,680,093</u>	<u>8,597,241,334</u>
Less: Arrangement debtors (refer to Note 20)	(116,995,623)	(114,819,043)	(116,995,623)	(114,819,043)
	<u>10,983,998,732</u>	<u>9,215,126,553</u>	<u>10,098,684,470</u>	<u>8,482,422,291</u>
Less: Allowance for impairment				
Rates	(1,888,914,830)	(1,509,058,234)	(1,888,914,830)	(1,509,058,234)
Electricity	(997,194,958)	(799,451,690)	(997,194,958)	(799,451,690)
Water	(1,431,058,353)	(1,407,558,185)	(568,588,396)	(683,802,359)
Sewerage	(174,060,671)	(144,448,775)	(174,060,671)	(144,448,775)
Refuse	(270,843,440)	(240,576,391)	(270,843,440)	(240,576,391)
General: Other	(1,591,916,213)	(1,614,232,629)	(1,591,916,213)	(1,614,232,629)
	<u>(6,353,988,465)</u>	<u>(5,715,325,904)</u>	<u>(5,491,518,508)</u>	<u>(4,991,570,078)</u>
Net balance				
Rates	318,318,471	753,512,928	318,318,471	753,512,928
Electricity	407,236,439	623,665,320	407,236,439	623,665,320
Water	2,099,859,212	1,508,968,658	2,077,014,907	1,500,020,222
Other fees and levies	1,309,353,136	540,270,324	1,309,353,136	540,270,324
Sewerage	195,253,269	233,431,505	195,253,269	233,431,505
Refuse	337,169,360	314,167,551	337,169,360	314,167,551
Interest	1,671,732,216	1,254,836,035	1,671,732,216	1,254,836,035
Arrangement debtors	(116,995,623)	(114,819,043)	(116,995,623)	(114,819,043)
Less: Allowance for impairment	(1,591,916,213)	(1,614,232,629)	(1,591,916,213)	(1,614,232,629)
	<u>4,630,010,267</u>	<u>3,499,800,649</u>	<u>4,607,165,962</u>	<u>3,490,852,213</u>
Included in above is receivables from exchange transactions				
Electricity	1,404,431,397	1,423,117,010	1,404,431,397	1,423,117,010
Water	3,530,917,565	2,916,526,843	2,645,603,303	2,183,822,581
Other fees and levies	1,309,353,136	540,270,324	1,309,353,136	540,270,324
Sewerage	369,313,940	377,880,280	369,313,940	377,880,280
Refuse	608,012,800	554,743,942	608,012,800	554,743,942
Interest	1,671,732,216	1,254,836,035	1,671,732,216	1,254,836,035
	<u>8,893,761,054</u>	<u>7,067,374,434</u>	<u>8,008,446,792</u>	<u>6,334,670,172</u>
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	2,207,233,301	2,262,571,162	2,207,233,301	2,262,571,162
	<u>11,100,994,355</u>	<u>9,329,945,596</u>	<u>10,215,680,093</u>	<u>8,597,241,334</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
22. Consumer receivables (continued)				
2016/17: For the municipality an amount of R343 324 012 exclusive of VAT, was written off for the period 1 July 2016 to 30 June 2017 (R391 389 374, including VAT) in terms of Council Resolutions dated 29 August 2002 and 25 March 2010, the Group Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council resolution dated 31 March 2005 gives approval whereby the debt of indigent households is written off. For the group an amount of R343 324 012 exclusive of VAT, was written off for the financial year ending 30 June 2017.				
2015/16: For the municipality an amount of R383 849 303 excluding VAT, was written off for the period 1 July 2015 to 30 June 2016 (R437 588 206, including VAT) in terms of Council Resolutions dated 29 August 2002 and 25 March 2010, the Group Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council resolution dated 31 March 2005 gives approval whereby the debt of indigent households is written off. For the group an amount of R402 780 843 exclusive of VAT, was written off for the financial year ending 30 June 2016.				
Ageing (of gross debtors):				
Rates				
Current (0 - 30 days)	177,865,849	556,114,408	177,865,849	556,114,408
31 - 60 days	102,638,859	62,549,425	102,638,859	62,549,425
61 - 90 days	78,675,480	44,453,107	78,675,480	44,453,107
91 - 120 days	58,743,491	60,041,148	58,743,491	60,041,148
121 - 150 days	52,088,498	39,518,803	52,088,498	39,518,803
151 - 180 days	58,101,688	47,343,343	58,101,688	47,343,343
181 - 365 days	297,007,639	240,620,357	297,007,639	240,620,357
365 + days	1,382,111,797	1,211,930,571	1,382,111,797	1,211,930,571
	2,207,233,301	2,262,571,162	2,207,233,301	2,262,571,162
Electricity				
Current (0 - 30 days)	408,210,821	538,362,090	408,210,821	538,362,090
31 - 60 days	35,092,244	20,483,610	35,092,244	20,483,610
61 - 90 days	45,555,585	19,309,587	45,555,585	19,309,587
91 - 120 days	25,930,011	25,212,358	25,930,011	25,212,358
121 - 150 days	17,626,466	13,015,366	17,626,466	13,015,366
151 - 180 days	23,926,510	21,241,073	23,926,510	21,241,073
181 - 365 days	143,390,725	99,802,092	143,390,725	99,802,092
365 + days	704,699,035	685,690,834	704,699,035	685,690,834
	1,404,431,397	1,423,117,010	1,404,431,397	1,423,117,010
Water				
Current (0 - 30 days)	631,064,889	717,051,518	618,798,703	700,192,903
31 - 60 days	122,949,576	82,312,222	103,845,666	68,687,504
61 - 90 days	129,708,880	67,822,639	112,308,826	48,054,150
91 - 120 days	86,760,336	82,835,762	69,633,620	67,072,751
121 - 150 days	60,142,003	37,311,214	44,467,301	21,513,794
151 - 180 days	80,138,767	87,854,121	64,584,885	72,687,789
181 - 365 days	1,100,546,400	922,030,011	320,798,107	286,304,334
365 + days	1,319,606,714	919,309,356	1,311,166,195	919,309,356
	3,530,917,565	2,916,526,843	2,645,603,303	2,183,822,581
Other fees and levies				
Current (0 - 30 days)	295,314,211	51,913,353	295,314,211	51,913,353
31 - 60 days	38,090,346	4,391,382	38,090,346	4,391,382
61 - 90 days	48,832,402	(2,071,560)	48,832,402	(2,071,560)
91 - 120 days	33,904,841	2,371,488	33,904,841	2,371,488
121 - 150 days	17,543,971	(2,619,410)	17,543,971	(2,619,410)
151 - 180 days	32,751,911	6,626,161	32,751,911	6,626,161
181 - 365 days	146,906,199	50,897,223	146,906,199	50,897,223
365 + days	696,009,255	428,761,687	696,009,255	428,761,687
	1,309,353,136	540,270,324	1,309,353,136	540,270,324

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
22. Consumer receivables (continued)				
Sanitation				
Current (0 - 30 days)	74,223,605	135,195,851	74,223,605	135,195,851
31 - 60 days	9,337,903	6,639,234	9,337,903	6,639,234
61 - 90 days	13,694,713	6,606,615	13,694,713	6,606,615
91 - 120 days	10,688,731	9,958,967	10,688,731	9,958,967
121 - 150 days	6,239,772	3,933,281	6,239,772	3,933,281
151 - 180 days	9,315,807	7,539,805	9,315,807	7,539,805
181 - 365 days	43,401,434	37,912,560	43,401,434	37,912,560
365 + days	202,411,975	170,093,967	202,411,975	170,093,967
	369,313,940	377,880,280	369,313,940	377,880,280
Solid waste				
Current (0 - 30 days)	43,494,393	118,379,435	43,494,393	118,379,435
31 - 60 days	16,775,600	13,814,558	16,775,600	13,814,558
61 - 90 days	22,220,155	13,495,850	22,220,155	13,495,850
91 - 120 days	17,144,324	17,005,288	17,144,324	17,005,288
121 - 150 days	14,911,359	9,264,499	14,911,359	9,264,499
151 - 180 days	17,979,323	14,985,747	17,979,323	14,985,747
181 - 365 days	86,754,661	72,258,931	86,754,661	72,258,931
365 + days	388,732,985	295,539,634	388,732,985	295,539,634
	608,012,800	554,743,942	608,012,800	554,743,942
Interest				
Current (0 - 30 days)	154,950,011	97,695,033	154,950,011	97,695,033
31 - 60 days	41,361,348	28,532,815	41,361,348	28,532,815
61 - 90 days	51,850,518	30,414,699	51,850,518	30,414,699
91 - 120 days	48,653,412	37,508,438	48,653,412	37,508,438
121 - 150 days	39,705,222	26,144,207	39,705,222	26,144,207
151 - 180 days	46,576,377	32,032,335	46,576,377	32,032,335
181 - 365 days	222,091,005	171,949,429	222,091,005	171,949,429
365 + days	1,066,544,323	830,559,079	1,066,544,323	830,559,079
	1,671,732,216	1,254,836,035	1,671,732,216	1,254,836,035
Ageing: Total gross debtors				
Current (0 - 30 days)	1,785,123,779	2,214,711,687	1,772,857,593	2,197,853,072
31 - 60 days	366,245,875	218,723,244	347,141,965	205,098,526
61 - 90 days	390,537,734	180,030,937	373,137,680	160,262,448
91 - 120 days	281,825,147	234,933,449	264,698,431	219,170,438
121 - 150 days	208,257,290	126,567,961	192,582,588	110,770,541
151 - 180 days	268,790,383	217,622,584	253,236,501	202,456,252
181 - 365 days	2,040,098,063	1,595,470,602	1,260,349,770	959,744,925
365 + days	5,760,116,084	4,541,885,132	5,751,675,565	4,541,885,132
	11,100,994,355	9,329,945,596	10,215,680,093	8,597,241,334
Consumer debtors - past due and impaired				
60 days and beyond	6,353,988,465	5,715,325,904	5,491,518,508	4,991,570,078
Consumer debtors - past due and not impaired				
31 - 60 days	2,961,882,111	1,399,908,005	2,951,303,992	1,407,818,184

Note must be taken that the amounts indicated as past due and impaired and past due and not impaired will not balance back to the total age analysis as the Municipality only impairs from 60 days onward. However, due to the new methodology adopted for the impairment of consumer debtors, impairment may happen earlier than 60 days.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
22. Consumer receivables (continued)				
Restatement: Municipality: During 2016/17 the provision for impairment was corrected and prior years restated. The provision for impairment was restated from R5 887 774 102 to R4 991 570 078 (a decrease of R896 204 024).				
Summary of debtors by customer classification				
Consumers				
Household	7,110,828,140	5,469,048,444	6,259,076,431	4,774,682,216
Industrial/commercial	2,553,638,251	2,014,980,692	2,544,257,244	1,996,908,084
National and provincial government	1,001,584,574	1,450,330,483	977,403,028	1,430,065,057
Other	434,943,390	395,585,977	434,943,390	395,585,977
	11,100,994,355	9,329,945,596	10,215,680,093	8,597,241,334
Households				
Current (0 - 30 days)	1,451,744,120	1,228,300,963	1,440,462,826	1,213,014,271
31 - 60 days	208,271,358	108,262,031	192,428,244	95,929,039
61 - 90 days	201,713,687	104,717,112	185,258,365	90,163,211
91 - 120 days	167,215,818	133,518,562	151,213,622	119,529,510
121 - 150 days	122,905,081	82,856,599	108,136,125	68,214,016
151 - 180 days	151,296,872	116,761,472	136,643,787	102,632,617
181 - 365 days	1,474,107,691	1,159,723,868	711,359,949	550,291,715
365 + days	3,333,573,513	2,534,907,838	3,333,573,513	2,534,907,838
	7,110,828,140	5,469,048,445	6,259,076,431	4,774,682,217
Industrial/ commercial				
Current (0 - 30 days)	737,026,041	598,264,571	736,411,577	597,491,581
31 - 60 days	91,588,419	46,716,521	90,097,936	45,950,437
61 - 90 days	93,200,882	32,705,982	92,662,200	29,638,290
91 - 120 days	59,463,651	55,982,850	58,962,447	55,038,450
121 - 150 days	42,601,910	34,589,592	42,089,351	33,865,270
151 - 180 days	59,523,464	36,428,744	59,210,233	35,933,652
181 - 365 days	261,516,300	203,142,677	256,105,916	191,840,649
365 + days	1,208,717,584	1,007,149,755	1,208,717,584	1,007,149,755
	2,553,638,251	2,014,980,692	2,544,257,244	1,996,908,084
National and provincial government				
Current (0 - 30 days)	247,138,881	1,066,300,491	246,768,453	1,065,501,558
31 - 60 days	35,332,732	48,040,008	33,562,419	47,514,366
61 - 90 days	61,047,222	25,169,011	60,641,172	23,022,115
91 - 120 days	29,403,227	28,495,164	28,779,911	27,665,605
121 - 150 days	23,370,466	5,535,701	22,977,279	5,105,186
151 - 180 days	31,940,064	45,010,165	31,352,498	44,467,780
181 - 365 days	166,295,548	135,567,273	154,705,381	120,575,777
365 + days	407,056,434	96,212,670	398,615,915	96,212,670
	1,001,584,574	1,450,330,483	977,403,028	1,430,065,057
Other				
Current (0 - 30 days)	25,179,222	6,522,337	25,179,222	6,522,337
31 - 60 days	4,354,064	(5,902,997)	4,354,064	(5,902,997)
61 - 90 days	8,405,336	178,126	8,405,336	178,126
91 - 120 days	5,059,560	(6,395,223)	5,059,560	(6,395,223)
121 - 150 days	4,384,536	(8,353,334)	4,384,536	(8,353,334)
151 - 180 days	5,357,458	(2,350,187)	5,357,458	(2,350,187)
181 - 365 days	36,940,049	(5,818,225)	36,940,049	(5,818,225)
365 + days	345,263,165	417,705,481	345,263,165	417,705,481
	434,943,390	395,585,978	434,943,390	395,585,978

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
22. Consumer receivables (continued)				
Reconciliation of allowance for impairment				
Balance at beginning of the year	(5,715,325,904)	(5,664,049,394)	(4,991,570,078)	(5,088,882,855)
Contributions to allowance	(488,820,082)	(379,365,212)	(350,105,951)	(210,344,384)
Adjustments to provision (year end)	(104,967,412)	212,337,849	(104,967,412)	212,337,849
Contribution to allowance: corrections	34,876,896	-	34,876,896	34,259,748
VAT on additional contribution to allowance	(423,075,975)	(332,198,388)	(423,075,975)	(332,198,388)
Debt impairment written off against allowance	343,324,012	402,780,843	343,324,012	383,849,303
Reversal/corrections of allowance	-	45,168,398	-	9,408,649
	(6,353,988,465)	(5,715,325,904)	(5,491,518,508)	(4,991,570,078)
23. Other receivables				
AARTO fine debtor (i.t.o. IGRAP1)	640,429,555	502,421,916	640,429,555	502,421,916
Creditors reclassification	38,440,242	5,515,892	38,440,242	5,515,892
Housing debtors	59,328,604	51,244,153	59,328,604	51,244,153
Prepaid expenses - deferred wi-fi expenses	9,580	151,323	-	-
Outstanding Metropolitan Municipality Claims	174,449,852	174,449,852	174,449,852	174,449,852
Miscellaneous	715,744,414	418,383,313	407,113,064	281,018,162
Lease revenue	34,531,227	33,199,643	34,531,227	33,199,643
Waste management	3,122,543	2,269,814	3,122,543	2,269,814
Sundry rentals	115,108,508	97,305,634	115,108,508	97,305,634
Sundry Persons	292,050,687	224,175,049	292,050,687	224,175,049
Public contributions	340,077,657	368,981,675	340,077,657	368,981,675
Sandspruit	-	-	34,298,530	34,298,530
RTMC: AARTO debtor	1,256,293	1,256,293	1,256,293	1,256,293
Social infrastructure grant debtor	4,393,468	-	4,393,468	-
	2,418,942,630	1,879,354,557	2,144,600,230	1,776,136,613
Less: Allowance for impairment	(1,072,772,573)	(790,677,657)	(1,071,977,578)	(790,109,349)
	1,346,170,057	1,088,676,900	1,072,622,652	986,027,264
AGEING				
Pre-payment Sanral				
> 365 days	174,449,852	174,449,852	174,449,852	174,449,852
Housing debtors				
31 - 60 days	6,145,923	-	6,145,923	-
121 - 365 days	53,182,681	51,244,153	53,182,681	51,244,153
	59,328,604	51,244,153	59,328,604	51,244,153
Pre-paid expenses				
61 - 90 days	9,580	151,323	-	-
Miscellaneous				
31 - 60 days	196,734,246	-	188,894,465	-
61 - 90 days	300,791,569	-	-	-
121 - 365 days	218,218,599	418,383,313	218,218,599	281,018,162
	715,744,414	418,383,313	407,113,064	281,018,162
Lease revenue				
31 - 60 days	34,531,227	33,199,643	34,531,227	33,199,643

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
23. Other receivables (continued)				
AARTO fine debtor (ito IGRAP 1)				
Based on historic information, it is determined that the probability of the collection of fines within 32 days is 20.69% which will result in 79.31% possible collection rate post the 32 day period.				
31 - 60 days	4,260,075	-	4,260,075	-
61 - 90 days	133,747,564	-	133,747,564	-
91 - 365 days	247,762,566	247,762,566	247,762,566	247,762,566
> 365 days	254,659,350	254,659,350	254,659,350	254,659,350
	640,429,555	502,421,916	640,429,555	502,421,916
Waste management				
31 - 60 days	685,738	-	685,738	-
61 - 90 days	2,436,805	2,269,814	2,436,805	2,269,814
	3,122,543	2,269,814	3,122,543	2,269,814
Sundry rentals				
31 - 60 days	22,081,849	-	22,081,849	-
61 - 90 days	93,026,659	97,305,634	93,026,659	97,305,634
	115,108,508	97,305,634	115,108,508	97,305,634
Sundry persons				
61 - 90 days	53,130,231	-	53,130,231	-
91 - 120 days	238,920,456	224,175,049	238,920,456	224,175,049
	292,050,687	224,175,049	292,050,687	224,175,049
Public contributions				
121 - 365 days	28,904,018	97,278,498	28,904,018	97,278,498
> 365 days	311,173,639	271,703,177	311,173,639	271,703,177
	340,077,657	368,981,675	340,077,657	368,981,675
Sandspruit Works Association				
> 365 days	-	-	34,298,530	34,298,530
RTMC: AARTO debtor				
> 365 days	1,256,293	1,256,293	1,256,293	1,256,293
Creditors reclassification				
31 - 60 days	38,440,242	5,515,892	38,440,242	5,515,892
Social infrastructure grant debtor				
31 - 60 days	4,393,468	-	4,393,468	-

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
23. Other receivables (continued)				
Reconciliation of allowance for impairment				
Opening balance	(790,677,657)	(499,123,622)	(790,109,349)	(498,411,621)
Contributions to provision	(287,047,747)	(317,427,846)	(286,269,472)	(316,859,538)
Write-off against the provision	4,834,581	24,613,584	4,328,492	23,936,177
Amounts recovered (Housing Company)	45,499	34,594	-	-
Corrections of write-offs against allowance	72,751	1,225,633	72,751	1,225,633
	(1,072,772,573)	(790,677,657)	(1,071,977,578)	(790,109,349)

Other receivables from exchange and non-exchange transactions past due but not impaired

Trade and other receivables which are less than two months past due are not considered to be impaired. At Group 30 June 2017, R1 072 622 652 (2016: R986 027 264) was past due but not impaired with regard to the municipality.

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

Two months past due	1,346,170,057	1,088,676,900	1,072,622,652	986,027,264
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Other receivables from exchange and non-exchange transactions past due and impaired

As of Group 30 June 2017, trade and other receivables of R1 071 977 578 (2016: R790 109 349) were impaired and provided for with regard to the Municipality.

The amount of the impairment was R1 071 977 578 as of Group 30 June 2017 (2016: R790 109 349 for the Municipality).

The ageing of these receivables is as follows:

Over two months	1,072,772,573	790,677,657	1,071,977,578	790,109,349
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Up to June 2017 an amount of R4 328 492 has been written off with regard to Sundry/Other debtors against the allowance.

Up to June 2017 an amount of R4 328 492 (exclusive of VAT) (R4 934 480 inclusive of VAT) was written off with regard to sundry/other debtors of the Municipality against the allowance. For the Group an amount of R4 834 581 (exclusive of VAT) was written off against the allowance.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
24. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	524,128	401,289	501,975	383,687
Cash book (bank account) balances	456,254,705	93,508,905	398,273,522	74,197,479
Short-term investments (refer to Note 19)	1,712,536,970	1,090,829,976	1,712,108,929	1,087,430,061
	2,169,315,803	1,184,740,170	2,110,884,426	1,162,011,227
Cash and bank	456,778,833	93,910,194	398,775,497	74,581,166
Short-term investments (refer to Note 19)	1,712,536,970	1,090,829,976	1,712,108,929	1,087,430,061
	2,169,315,803	1,184,740,170	2,110,884,426	1,162,011,227

The Municipality and Municipal Entities have the following bank accounts

Account number/description	Bank statement balances			Cash book balances		
	Group 30 June 2017	30 June 2016	30 June 2015	Group 30 June 2017	30 June 2016	30 June 2015
Absa - 4060738263	42,119,748	40,441,784	24,355,342	40,964,322	(32,618,750)	(25,654,420)
FNB - 51420107207	45,170,960	29,858,205	17,291,903	40,928,039	(213,512)	(6,402,849)
Standard - 410801453	257,292,116	131,981,676	163,315,841	274,678,695	74,198,061	51,147,872
Insurance Contingency - Absa - 4062593950	-	2,784	232,135	-	2,784	232,135
Tshwane Market - Absa - 4068829119	38,133,509	41,169,203	36,158,223	34,058,668	37,383,039	32,814,759
Nedbank - 1454121963	7,759,241	5,543,238	9,455,310	7,643,798	(4,554,143)	4,662,838
Municipality	390,475,574	248,996,890	250,808,754	398,273,522	74,197,479	56,800,335
Housing Company Tshwane: Absa - 4065722829	2,147,369	12,700,366	11,730,624	2,147,369	12,700,366	11,730,624
Housing Company Tshwane: Absa - 4057481879	36,430,358	773,361	5,588,660	36,430,358	773,361	5,588,660
Housing Company Tshwane: Absa - 911408066	808,818	690,500	598,581	808,818	690,500	598,581
Housing Company Tshwane: Townlands - 4091569887	(203)	-	-	(203)	-	-
Sandspruit: Standard - 32250738	15,272,865	1,973,429	382,346	11,208,607	1,938,218	376,111
Sandspruit: ODI Standard - 31906842	335,059	294,635	1,196,499	335,059	258,788	1,164,140
Sandspruit: ODI Standard - 738717959	72,494	34,261	17,806,359	72,494	34,261	17,806,359
Sandspruit: Absa - 4051139634	-	-	2,769,397	-	-	2,750,620
Sandspruit: Absa Money Market - 9074185817	-	-	174,297	-	-	169,990
TEDA: Standard - 410791830	6,973,374	2,909,873	195,808	6,973,374	2,909,873	195,808
TEDA: Standard - 011057491	5,307	6,059	5,950	5,307	6,059	5,950
Entities	62,045,441	19,382,484	40,448,521	57,981,183	19,311,426	40,384,843
Group total	452,521,015	268,379,374	291,257,275	456,254,705	93,508,905	97,185,178

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
25. Property rates				
Rates received				
Property rates	5,963,760,522	5,425,040,693	5,964,037,708	5,425,241,074
Less: Interdepartmental charges - assessment rates	(30,133,267)	(41,221,936)	(30,133,267)	(41,221,936)
Less: Grants-in-aid: Assessment rates	(21,043,548)	(23,264,515)	(21,043,548)	(23,264,515)
	<u>5,912,583,707</u>	<u>5,360,554,242</u>	<u>5,912,860,893</u>	<u>5,360,754,623</u>
Valuations				
Residential	289,278,507,839	282,994,595,304	289,278,507,839	282,994,595,304
Other	128,794,446,921	125,578,903,411	128,794,446,921	125,578,903,411
	<u>418,072,954,760</u>	<u>408,573,498,715</u>	<u>418,072,954,760</u>	<u>408,573,498,715</u>

The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value.

No difference is made between land value and the value of improvements and only the market value appears on the valuation roll. With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable.

Property owners who are 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions.

26. Service charges

Sale of electricity	10,969,349,386	9,696,177,564	10,970,164,261	9,699,511,315
Sale of water	3,132,316,437	3,224,237,070	3,368,590,128	3,318,948,220
Solid waste	1,275,795,066	1,153,332,147	1,275,795,066	1,153,332,147
Sewerage and sanitation charges	802,715,732	770,444,414	802,715,732	770,444,414
Other service charges	315,003,382	231,378,360	315,003,382	231,378,360
	<u>16,495,180,003</u>	<u>15,075,569,555</u>	<u>16,732,268,569</u>	<u>15,174,923,370</u>
Less: Interdepartmental - Electricity	(130,921,855)	(359,301,915)	(130,921,855)	(359,301,915)
Less: Interdepartmental - Water	(160,530,404)	(92,434,279)	(160,530,404)	(92,434,279)
Less: Interdepartmental - Solid Waste	(23,879,033)	(25,286,367)	(23,879,033)	(25,286,367)
Less: Interdepartmental - Sanitation	(22,730,675)	(9,750,945)	(22,730,675)	(9,750,945)
Net service charges per statement of financial performance	<u>16,157,118,036</u>	<u>14,588,796,049</u>	<u>16,394,206,602</u>	<u>14,686,840,950</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
27. Government grants, subsidies, awards and donations				
Operating grants				
Equitable share	1,864,839,007	1,654,389,319	1,864,839,007	1,654,389,319
Emergency Management Services subsidy	62,850,000	59,687,000	62,850,000	59,687,000
Fuel levy	1,440,100,000	1,395,849,000	1,440,100,000	1,395,849,000
Finance Management Grant (FMG)	2,875,000	3,925,000	2,875,000	3,925,000
Public Transport Network Operating Grant (PTNOG)	200,266,208	160,258,853	200,266,208	160,258,853
Research and Technology grant	-	1,711,026	-	1,711,026
Broadband (Wi-fi)	-	7,763,443	-	7,763,443
Research and development grant	3,899,747	-	3,899,747	-
Municipal Human Settlement Capacity Grant	-	28,215,380	-	28,215,380
Health subsidy	44,325,000	42,085,000	44,325,000	42,085,000
HIV/AIDS subsidy	12,649,000	11,948,000	12,649,000	11,948,000
Community libraries	6,103,292	4,476,874	6,103,292	4,476,874
Expanded Public Works Programme (EPWP)	50,247,000	31,143,000	50,247,000	31,143,000
Gautrans	109,814	-	109,814	-
USDG operational	46,180,020	-	46,180,020	-
Municipal Disaster Recovery Grant	-	12,438,403	-	12,438,403
Integrated City Development	6,145,485	16,531,764	6,145,485	16,531,764
Human Settlement Development: Topstructures	72,555,231	86,404,116	72,555,231	86,404,116
	<u>3,813,144,804</u>	<u>3,516,826,178</u>	<u>3,813,144,804</u>	<u>3,516,826,178</u>
Capital grants				
INEP	40,000,000	36,801,599	40,000,000	36,801,599
PTIS roads and storm water	684,776,952	768,350,658	684,776,952	768,350,658
Neighbourhood Development (NDPG)	48,500,000	62,619,000	48,500,000	62,619,000
Libraries	5,709,772	6,276,401	5,709,772	6,276,401
Finance Management Grant (FMG)	-	156,708	-	156,708
USDG capital	1,490,264,951	1,537,550,333	1,490,264,951	1,537,550,333
Social Infrastructure Grant	41,000,000	38,682,211	41,000,000	38,682,211
DPSA: Smart connect	200,000	1,773,260	200,000	1,773,260
Sandspruit: New meter project	-	278,855	-	-
	<u>2,310,451,675</u>	<u>2,452,489,025</u>	<u>2,310,451,675</u>	<u>2,452,210,170</u>
	<u>6,123,596,479</u>	<u>5,969,315,203</u>	<u>6,123,596,479</u>	<u>5,969,036,348</u>
Conditional and unconditional				
Included above are the following categories of grants and subsidies recognised as revenue:				
Conditional grants received	3,304,939,007	2,919,076,884	3,304,939,007	2,918,798,029
Unconditional grants received	2,818,657,472	3,050,238,319	2,818,657,472	3,050,238,319
	<u>6,123,596,479</u>	<u>5,969,315,203</u>	<u>6,123,596,479</u>	<u>5,969,036,348</u>
Equitable Share (DoRA)				
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 R561.81 (2016 = R511.90), which is funded from the grant.				
Current year receipts	1,864,839,007	1,654,389,319	1,864,839,007	1,654,389,319
Conditions met - transferred to revenue	<u>(1,864,839,007)</u>	<u>(1,654,389,319)</u>	<u>(1,864,839,007)</u>	<u>(1,654,389,319)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

27. Government grants, subsidies, awards and donations (continued)

Fuel levy (DoRA)

Current year receipts	1,440,100,000	1,395,849,000	1,440,100,000	1,395,849,000
Conditions met - transferred to revenue	(1,440,100,000)	(1,395,849,000)	(1,440,100,000)	(1,395,849,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of the fuel levy grant is to provide for basic services and infrastructure development in under-served communities, specifically to transport infrastructure, given the link between fuel sales and road usage.

Primary Healthcare Subsidy (Provincial)

Current-year receipts	44,325,000	42,085,000	44,325,000	42,085,000
Conditions met - transferred to revenue	(44,325,000)	(42,085,000)	(44,325,000)	(42,085,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Municipality renders health services on behalf of the provincial government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services. The conditions of the subsidy have been met.

Emergency Management Services Subsidy (Provincial)

Current-year receipts	62,850,000	59,687,000	62,850,000	59,687,000
Conditions met - transferred to revenue	(62,850,000)	(59,687,000)	(62,850,000)	(59,687,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effective emergency care. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the subsidy have been met.

Research and Development grant (DoRA)

Current-year receipts	3,899,747	-	3,899,747	-
Conditions met - transferred to revenue	(3,899,747)	-	(3,899,747)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The grant is from the Department of Public Service and Administration (DPSA) and is intended to support programmes in the research, development and piloting of new ways of delivering front-line services.

Electricity for All (INEP) (DoRA)

Balance unspent at beginning of year	199,351	950	199,351	950
Current-year receipts	40,000,000	37,000,000	40,000,000	37,000,000
Conditions met - transferred to revenue	(40,000,000)	(36,801,599)	(40,000,000)	(36,801,599)
Returned to National Treasury	(199,351)	-	(199,351)	-
	<u>-</u>	<u>199,351</u>	<u>-</u>	<u>199,351</u>

Conditions still to be met - remain liabilities (see Note 11)

The request to roll over the balance of R199 351 was not approved by National Treasury and was set off against the next transfer of the equitable share.

The purpose of the grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure, and rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
27. Government grants, subsidies, awards and donations (continued)				
Finance Management Grant (FMG) (DoRA)				
Balance unspent at beginning of year	93,292	921,685	93,292	921,685
Current-year receipts	2,875,000	4,175,000	2,875,000	4,175,000
Conditions met - transferred to revenue	(2,875,000)	(4,081,708)	(2,875,000)	(4,081,708)
Returned to the National Treasury	(93,292)	(921,685)	(93,292)	(921,685)
	<u>-</u>	<u>93,292</u>	<u>-</u>	<u>93,292</u>

Conditions still to be met - remain liabilities (see Note 11)

The request for the roll forward of the balance of R93 292 was not approved by National Treasury and was set off against the next transfer of the equitable share.

The purpose of this grant is to promote support reforms in financial management by building capacity in municipalities to implement the Local Government: Municipal Finance Management Act (MFMA).

Human Settlement Development Grant (HSDG)(Provincial)

Balance unspent at beginning of year	68,644,888	68,393,290	68,644,888	68,393,290
Current-year receipts	203,033,010	86,655,714	203,033,010	86,655,714
Conditions met - transferred to revenue	(72,555,231)	(86,404,116)	(72,555,231)	(86,404,116)
Returned to National Treasury	(19,800,000)	-	(19,800,000)	-
	<u>179,322,667</u>	<u>68,644,888</u>	<u>179,322,667</u>	<u>68,644,888</u>

Conditions still to be met - remain liabilities (see Note 11)

The request submitted to National Treasury for the roll forward of the balance of R19 800 000 of 2015/16 was not approved and was returned to National Treasury.

The government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approves housing subsidies and projects and provides support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads, and in many cases, electricity.

Urban Settlement Development Grant (USDG) (DoRA)

Balance unspent at beginning of year	-	36,867,333	-	36,867,333
Current year receipts	1,539,334,000	1,500,683,000	1,539,334,000	1,500,683,000
Conditions met - transferred to revenue	(1,536,444,971)	(1,537,550,333)	(1,536,444,971)	(1,537,550,333)
	<u>2,889,029</u>	<u>-</u>	<u>2,889,029</u>	<u>-</u>

The grant is intended to supplement the capital revenue of metropolitan municipalities in order to support the National Human Settlements Development programme, focusing on poor households.

* See Note 47

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27. Government grants, subsidies, awards and donations (continued)				
Public Transport Grant (PTIS) (DoRA)				
Balance unspent at beginning of year	2,258,342	224,108	2,258,342	224,108
Current-year receipts	750,000,000	770,609,000	750,000,000	770,609,000
Conditions met - transferred to revenue	(684,776,952)	(768,350,658)	(684,776,952)	(768,350,658)
Returned to the National Treasury	-	(224,108)	-	(224,108)
	<u>67,481,390</u>	<u>2,258,342</u>	<u>67,481,390</u>	<u>2,258,342</u>

Conditions still to be met - remain liabilities (see Note 11)

A request to roll over the 2015/16 balance was approved by National Treasury.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

HIV and AIDS (Provincial Health Department)

Current-year receipts	12,649,000	11,948,000	12,649,000	11,948,000
Conditions met - transferred to revenue	(12,649,000)	(11,948,000)	(12,649,000)	(11,948,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of this grant is to sustain and extend coverage of the ward based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support wards structures to address AIDS in the local community.

Gautrans (operational and capital)

Balance unspent at beginning of year	12,071,107	12,071,107	12,071,107	12,071,107
Conditions met - transferred to revenue	(109,813)	-	(109,813)	-
	<u>11,961,294</u>	<u>12,071,107</u>	<u>11,961,294</u>	<u>12,071,107</u>

Conditions still to be met - remain liabilities (see Note 11)

The purpose of this grant is to reconstruct and update the Garstfontein Road (K50) to a dual carriageway between Loristo and Anton van Wouw Street.

Neighbourhood Development Programme (DoRA)

Balance unspent at beginning of year	-	1,526	-	1,526
Current-year receipts	48,500,000	62,619,000	48,500,000	62,619,000
Conditions met - transferred to revenue	(48,500,000)	(62,619,000)	(48,500,000)	(62,619,000)
Returned to the National Treasury	-	(1,526)	-	(1,526)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create a platform for other public and private sector developments to improve the quality of life of residents in targeted under-served neighbourhoods (townships generally).

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
27. Government grants, subsidies, awards and donations (continued)				
Research and Technology Grant				
Balance unspent at beginning of year	74,688	892,857	74,688	892,857
Current year receipts	-	892,857	-	892,857
Conditions met - transferred to revenue	-	(1,711,026)	-	(1,711,026)
	74,688	74,688	74,688	74,688

Conditions still to be met - remain liabilities (see Note 11).

A request to roll over the balance of 2015/16 was approved by National Treasury.

The purpose of this grant is to transfer funds to the Municipality for the purposes of maintenance and operationalising mechanisation assets, namely tractors and implements (including trailers). The project life is 12 months.

Community library services (Provincial Department of Sport, Arts, Culture and Recreation)

Balance unspent at beginning of year	3,867,830	1,185,105	3,867,830	1,185,105
Current-year receipts	13,000,000	13,436,000	13,000,000	13,436,000
Conditions met - transferred to revenue	(11,813,064)	(10,753,275)	(11,813,064)	(10,753,275)
Returned to National Treasury	(2,745,061)	-	(2,745,061)	-
	2,309,705	3,867,830	2,309,705	3,867,830

Conditions still to be met - remain liabilities (see Note 11).

A request to roll over the balance of 2015/16 was submitted to the National Treasury but roll over of an amount of R2 745 061 has been rejected by National Treasury and was set off against the next transfer of the equitable share.

The purpose of this grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a re-capitalised programme at provincial and local government level, and to provide the best possible sport and recreation facilities and services to all people in Tshwane to enhance their quality of life.

Municipal Human Settlement Capacity Grant

Balance unspent at beginning of year	1,035,104	16,419,484	1,035,104	16,419,484
Current-year receipts	-	12,831,000	-	12,831,000
Conditions met - transferred to revenue	-	(28,215,380)	-	(28,215,380)
Returned to National Treasury	(1,035,104)	-	(1,035,104)	-
	-	1,035,104	-	1,035,104

Conditions still to be met - remain liabilities (see Note 11).

The request for the roll over of the balance of R1 035 104 was not approved by National Treasury and was set off against the transfer of the equitable share.

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes, and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
27. Government grants, subsidies, awards and donations (continued)				
Expanded Public Works Programme (EPWP) (DoRA)				
Current-year receipts	50,247,000	31,143,000	50,247,000	31,143,000
Conditions met - transferred to revenue	(50,247,000)	(31,143,000)	(50,247,000)	(31,143,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of this grant is to encourage local authorities and provincial departments to increase job-creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods, and the expansion of job creation in line with the Expanded Public Works Programme guidelines.

Broadband (Wi-fi)

Balance unspent at beginning of year	1,086,882	-	1,086,882	-
Current-year receipts	-	8,850,325	-	8,850,325
Conditions met - transferred to revenue	-	(7,763,443)	-	(7,763,443)
	<u>1,086,882</u>	<u>1,086,882</u>	<u>1,086,882</u>	<u>1,086,882</u>

Conditions still to be met - remain liabilities (see note 11).

The request for roll over of the 2015/16 balance was approved by National Treasury.

Funding was received from the Department of Telecommunication and Postal Services for the implementation of free wi-fi in Tshwane.

Delft housing grant

Balance unspent at beginning of year	<u>2,293,422</u>	<u>2,293,422</u>	<u>2,293,422</u>	<u>2,293,422</u>
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Conditions still to be met - remain liabilities (see Note 11).

On 5 November 2005 the mayors of the sister cities of Tshwane and Delft (Netherlands) agreed that the City of Delft will give financial support for the building of the multi-purpose community centre as part of the integrated community-building project in Mamelodi Extension 5.

The City of Delft decided to co-fund a multi purpose community centre because of its importance for the neighbouring communities.

Municipal disaster recovery grant

Balance unspent at beginning of year	1,447,864	13,886,268	1,447,864	13,886,268
Conditions met - transferred to revenue	-	(12,438,404)	-	(12,438,404)
	<u>1,447,864</u>	<u>1,447,864</u>	<u>1,447,864</u>	<u>1,447,864</u>

Conditions still to be met - remain liabilities (see note 11).

The request for roll over of the 2015/16 balance was not approved by National Treasury, however, an appeal was lodged to National Treasury.

During November 2013, severe damage to infrastructure was caused by hail in Gauteng. Because of this a state of disaster was declared in Tshwane in December 2013. The infrastructure and services damage reports and preliminary costing of damages were submitted by the Department of Human Settlements and the City of Tshwane Metropolitan Municipality through the Gauteng Provincial Disaster Management Centre in May 2014.

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
27. Government grants, subsidies, awards and donations (continued)				
Public Transport Network grant (PTNOG) (DoRA)				
Balance unspent at beginning of year	741,147	-	741,147	-
Current-year receipts	200,011,000	161,000,000	200,011,000	161,000,000
Conditions met - transferred to revenue	(200,266,207)	(160,258,853)	(200,266,207)	(160,258,853)
	<u>485,940</u>	<u>741,147</u>	<u>485,940</u>	<u>741,147</u>

Conditions still to be met - remain liabilities (see Note 11).

The request for the roll over of the balance of R741 147 was not approved by National Treasury, however an appeal was lodged in this regard.

A request for the roll over of the balance of R485 940 will be submitted to National Treasury.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

Social Infrastructure Grant

Balance unspent at beginning of year	-	5,682,211	-	5,682,211
Current-year receipts	36,606,532	33,000,000	36,606,532	33,000,000
Conditions met - transferred to revenue	(41,000,000)	(38,682,211)	(41,000,000)	(38,682,211)
Debtor at year end for last tranche	4,393,468	-	4,393,468	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The last tranche of 2016/17 was not yet paid over upon year-end closure and a debtor was created for the amount of R4 393 468 as the municipality already incurred the expenditure. The receipt of the amount will be offset against the debtor in the 2017/18 financial year.

20 Priority Township project Hammanskraal - the purpose of this grant is to plan and design the Hammanskraal Early Childhood Development Centre and to plan and design the Hammanskraal Aged Care Centre.

Sandspruit Works Association

Balance unspent at beginning of year	-	278,854	-	-
Conditions met - transferred to revenue	-	(278,854)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

This amount was received in advance and was ring-fenced until the project was finalised.

The above amounts consist of the New Meter and Repeat Offenders Project and the Housing project of the Sandspruit Works Association. The balance was utilised in the 2015/16 financial year.

LG SETA Merit Awards

Balance unspent at beginning of year	-	266,921	-	266,921
Conditions met - transferred to revenue	-	(266,921)	-	(266,921)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see Note 11).

This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department, or to enhance the capacity of the Training Committee.

* See Note 47

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	2017	2016 Restated*	2017	2016 Restated*

27. Government grants, subsidies, awards and donations (continued)

DPSA Smart Connect Grant

Balance unspent at beginning of year	-	378,440	-	378,440
Current-year receipts	200,000	1,394,820	200,000	1,394,820
Conditions met - transferred to revenue	(200,000)	(1,773,260)	(200,000)	(1,773,260)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The grant was received for the Smart Connect project. This project envisages a system where citizens and local government communicate effectively to maximise service delivery. It aims to increase the efficiency of service delivery by facilitating improved communication between stakeholders, such as the public and the service departments. By providing an integrated communication framework between departments, service requests that involve more than one department can be coordinated efficiently.

Sport and Recreation

Balance unspent at beginning of year	-	72,617	-	72,617
Transferred to other revenue	-	(72,617)	-	(72,617)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

This amount was received during the 2010/11 financial year for the HM Pitje Stadium.

Performance management (COGTA) (DoRA)

Balance unspent at beginning of year	-	268,665	-	268,665
Transferred to other revenue	-	(268,665)	-	(268,665)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

These funds were received for the upgrading of the Municipality's performance management system, the quality performance result system and the enterprise project management system to include the newly merged municipalities.

Electricity demand side

Balance unspent at beginning of year	7,000,000	3,000,000	7,000,000	3,000,000
Current-year receipts	-	7,000,000	-	7,000,000
Returned to the National Treasury	(7,000,000)	(3,000,000)	(7,000,000)	(3,000,000)
	<u>-</u>	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>

Conditions still to be met - remain liabilities (see Note 11).

The request for the roll over of the balance of 2015/16 was not approved by National Treasury and was set off against the transfer of the equitable share.

The department requested a rollover of the unspent portion from the Department of Mineral and Energy and the National Treasury during 2014/15, as the service level agreement with the CSIR was finalised late.

The purpose of this grant is to provide subsidies to municipalities to implement electricity demand side management (EDSM) in the municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

* See Note 47

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	2017	2016 Restated*	2017	2016 Restated*
27. Government grants, subsidies, awards and donations (continued)				
Revenue enhancement				
Balance unspent at beginning of year	-	1,224,800	-	1,224,800
Returned to the Gauteng Provincial Treasury	-	(1,224,800)	-	(1,224,800)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see Note 11).

This once-off allocation was received from the Department of Local Government to assist with revenue enhancement programmes.

Integrated City Development (DoRA)

Balance unspent at beginning of year	29,477,260	6,307,025	29,477,260	6,307,025
Current year receipts	42,652,000	39,702,000	42,652,000	39,702,000
Conditions met - transferred to revenue	(6,145,485)	(16,531,765)	(6,145,485)	(16,531,765)
Returned to National Treasury	(29,477,260)	-	(29,477,260)	-
	<u>36,506,515</u>	<u>29,477,260</u>	<u>36,506,515</u>	<u>29,477,260</u>

Conditions still to be met - remain liabilities (see Note 11).

The request for the roll over of the 2015/16 balance was not approved by National Treasury and was set off against the transfer of the equitable share.

The purpose of this grant from the National Treasury is to provide a financial incentive for metropolitan municipalities to integrate and focus their use of all available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form and the development of more inclusive, livable, productive and sustainable urban built environments in metropolitan municipalities.

Changes in the level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
28. Other income				
Market fees	170,009,449	169,869,175	170,009,449	169,869,175
Land sales	130,227	58,348	130,227	58,348
VAT audit refund	4,424,719	3,822,943	4,424,719	3,822,943
Fire services	5,750,536	5,059,487	5,750,536	5,059,487
Sale of unusable stock	4,730,287	6,714,902	4,730,287	6,714,902
Drain cleaning fees	192,843	1,085,164	192,843	1,085,164
Admission fees	17,894,461	19,232,101	17,894,461	19,232,101
Interest on property sales	272,148	661,124	272,148	661,124
Donated: Assets	3,737,563	1,077,284	3,737,563	1,077,284
Serving of summons	14,150,972	14,884,562	14,150,972	14,884,562
Building fees	60,935,957	52,211,130	60,935,957	52,211,130
Income from grave services	6,178,466	6,288,945	6,178,466	6,288,945
Motor vehicle licences (refund - province)	96,225,091	81,194,060	96,225,091	81,194,060
Training fees recovered	12,765,162	13,955,108	12,765,162	13,955,108
Newly identified assets	204,163,884	81,361,070	204,163,884	81,361,070
Insurance claims	52,184,351	39,027,587	52,184,351	39,027,587
A Re Yeng revenue	5,952,293	8,133,352	5,952,293	8,133,352
Sundry fees	6,507,896	7,421,300	6,245,391	4,942,667
Airside income	6,771,465	5,019,604	6,771,465	5,019,604
Ambulance fees	1,943,470	3,268,976	1,943,470	3,268,976
Reminder fees	57,228,716	61,775,473	57,228,716	61,775,473
Discount on prompt payments	1,100,766	1,326,700	1,100,766	1,326,700
Approval fees: advertisements	35,866,057	43,611,007	35,866,057	43,611,007
LG Seta discretionary allocation	6,729,821	16,758,775	6,729,821	16,758,775
Cemetery fees	6,178,059	5,708,306	6,178,059	5,708,306
Application fees	6,652,545	4,787,110	6,652,545	4,787,110
Income from bulk containers	1,066,686	1,502,119	1,066,686	1,502,119
Sales: Aeroplane fuel	7,438,641	7,263,147	7,438,641	7,263,147
Transport fees	19,452,378	22,225,219	19,452,378	22,225,219
Miscellaneous	59,666,235	53,909,973	59,714,831	55,353,314
	876,301,144	739,214,051	876,087,235	738,178,759
29. Employee-related costs				
Salaries and wages	5,060,660,186	4,658,392,052	4,950,954,887	4,555,121,163
Bonus	84,615	752,824	-	-
Medical aid contributions	539,653,840	490,403,150	521,287,206	472,800,414
UIF	37,478,792	34,957,994	37,478,792	34,957,994
Leave pay provision charge	316,516,410	324,062,857	313,035,493	320,615,797
Pension fund contributions	955,069,469	883,051,841	950,677,507	878,944,208
Post employee benefits	18,762,449	99,172,001	18,762,449	99,172,001
Travel, motor car, subsistence and other allowances	305,328,415	303,285,817	305,328,415	303,285,817
Overtime payments	385,728,631	371,579,720	385,728,631	371,579,720
Long-service awards	4,983,808	5,515,715	4,983,808	5,515,715
Incentive bonuses	265,963	312,725	265,963	312,725
Other allowances	323,412,485	278,874,046	320,956,457	276,677,208
Housing benefits and allowances	40,071,030	35,996,310	39,231,372	35,178,793
Compensation commissioner (COID)	47,136,042	43,647,312	47,136,042	43,647,312
	8,035,152,135	7,530,004,364	7,895,827,022	7,397,808,867

* See Note 47

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	2017	2016 Restated*	2017	2016 Restated*
29. Employee-related costs (continued)				
Remuneration of City Manager (E M Mosola)				
Annual remuneration (Jason Ngobeni)	443,032	3,217,814	443,032	3,217,814
Cell phone allowance (Jason Ngobeni)	3,304	24,000	3,304	24,000
Other (Jason Ngobeni)	-	18,248	-	18,248
Annual Remuneration (M Mosola)	822,917	-	822,917	-
	1,269,253	3,260,062	1,269,253	3,260,062
Mr Ngobeni was only employed until 19 August 2016. Lindiwe Kwele was acting as City Manager until 31 January 2017 and Mayur Maganlal for February 2017.				
The new City Manager (Mr Moeketsi Mosola) was appointed from 1 March 2017.				
The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.				
Remuneration of Chief Financial Officer - municipal entities				
Annual remuneration	2,135,660	2,614,956	-	-
Bonus and performance related payments	-	102,101	-	-
Vehicle allowance	-	321,400	-	-
Medical and retirement contributions	-	268,134	-	-
Expense allowance	-	154,530	-	-
Other allowance	233,975	-	-	-
	2,369,635	3,461,121	-	-
Remuneration of Chief Executive Officer - municipal entities				
Annual remuneration	2,526,135	3,378,303	-	-
Vehicle allowance	-	56,307	-	-
Performance bonuses	84,615	42,308	-	-
Other allowances	234,721	541,739	-	-
Pension and medical aid contributions	83,580	74,790	-	-
Leave provision	67,894	-	-	-
	2,996,945	4,093,447	-	-
Remuneration of other managers - municipal entities				
Annual remuneration	13,792,197	12,001,499	-	-
Vehicle allowance	2,037,846	2,049,260	-	-
Performance bonuses	368,703	321,785	-	-
Other allowances	2,826,382	773,922	-	-
Pension and medical aid contributions	1,863,036	1,627,944	-	-
Leave provision	-	44,545	-	-
	20,888,164	16,818,955	-	-
Directors - municipal entities				
Non-executive directors: board fees	3,672,304	4,406,574	-	-

* See Note 47

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	2017	2016 Restated*	2017	2016 Restated*
29. Employee-related costs (continued)				
Remuneration: Executive Mayor (Solly Msimanga)				
Annual remuneration (Kgosientso D Ramokgopa)	101,283	931,807	101,283	931,807
Travel allowance (Kgosientso D Ramokgopa)	33,761	310,602	33,761	310,607
Cell phone allowance (Kgosientso D Ramokgopa)	-	41,820	-	41,820
Other (Kgosientso D Ramokgopa)	-	12,012	-	12,012
Annual remuneration (Solly T Msimanga)	1,040,952	-	1,040,952	-
Travel allowance (Solly T Msimanga)	18,006	-	18,006	-
	1,194,002	1,296,241	1,194,002	1,296,246

Kgosientso Ramokgopa was executive mayor until 19 August 2016 when the municipal elections took place and Solly Msimanga was appointed as executive mayor.

Remuneration: Speaker (Rachel Kedibone Mathebe)

Annual remuneration (Audrey W M K Mosupye)	75,120	689,785	75,120	689,785
Travel allowance (Audrey W M K Mosupye)	27,296	250,848	27,296	250,848
Cell phone allowance (Audrey W M K Mosupye)	-	41,820	-	41,820
Other (Audrey W M K Mosupye)	-	75,022	-	75,022
Annual remuneration (Rachel K Mathebe)	719,764	-	719,764	-
Travel allowance (Rachel K Mathebe)	133,604	-	133,604	-
	955,784	1,057,475	955,784	1,057,475

Audrey W M K Mosupye was speaker until 19 August 2016 when the municipal elections took place and Rachel Kedibone Mathebe was appointed as speaker.

Remuneration: Members of the Mayoral Committee

Annual remuneration	8,373,406	6,595,684	8,373,406	6,595,684
Travel allowance	493,713	2,116,530	493,713	2,116,530
Cell phone allowance	-	208,680	-	208,680
Other	-	783,248	-	783,248
	8,867,119	9,704,142	8,867,119	9,704,142

Refer to General information for the list of the individual members of the mayoral committee.

The municipal elections took place on 19 August 2016 and then the members of the mayoral committee was replaced.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
29. Employee-related costs (continued)				
Members of the Mayoral Committee				
Subesh Pillay	89,387	969,143	89,387	969,143
Thembekile Elizabeth Mmoko	89,624	969,137	89,624	969,137
Petunia Faith Mashaba	102,248	970,589	102,248	970,589
Rasello Terence Mashego	103,959	969,548	103,959	969,548
Maidi Dorothy Mabiletsa	97,660	970,589	97,660	970,589
Theresa-Eulanda Mabusela	88,081	969,180	88,081	969,180
Nozipho Paulina Tyobeka-Makeke	92,204	977,889	92,204	977,889
Joshua John Ngonyama	102,248	969,905	102,248	969,905
Jacob Mlandu Masango	103,959	969,081	103,959	969,081
Maupe George Matjila	93,789	969,081	93,789	969,081
Anniruth Kissoonduth	708,326	-	708,326	-
Cilliers Brink	814,574	-	814,574	-
Darryl Moss	747,372	-	747,372	-
Nontsikelelo Lucia Mokhotho	814,574	-	814,574	-
Michael Mkhari	815,776	-	815,776	-
Isak Petrus du Plooy	814,574	-	814,574	-
Mare-Lise Fourie	814,574	-	814,574	-
Randall Mervyn Williams	814,574	-	814,574	-
Sheila Lynn Senkubuge	767,834	-	767,834	-
Thomas Mandla Nkomo	791,782	-	791,782	-
	8,867,119	9,704,142	8,867,119	9,704,142

30. Remuneration of Top Management

The organisational structure was reviewed and a new macro structure was approved in term of a council resolution dated 24 November 2016. The new macro structure was implemented on 1 February 2017.

In terms of a council resolution dated 23 February 2017 the proposed section 56 positions were determined to be as follows:

- * Governance and Support Officer
- * Chief Financial Officer
- * Chief of Police
- * Head: Emergency Management Services
- * Chief Operations Officer
- * Chief Audit Executive
- * Head: Office of the Executive Mayor
- * Head: Group Communications and Marketing
- * Group Head: City Strategies and Organisational Performance.

The other positions will from 1 February report directly either to the Governance and Support Officer (GSO) or the Chief Operations Officer (COO).

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality		Total	
	2017	2016 Restated*	2017	2016 Restated*		
30. Remuneration of Top Management (continued)						
Reporting directly to City Manager						
July 2016 to January 2017						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total
Banda, U (acting)	Group Chief Financial Officer	845,833	-	10,500	91,568	947,901
Kwele, Lindiwe (resigned 31 January 2017)	Deputy City Manager	1,597,566	175,000	12,600	19,352	1,804,518
Mangcu, Lisa N (resigned 30 November 2016)	Deputy City Manager	966,417	25,000	9,000	-	1,000,417
Boshielo, Mokholela, K F (resigned 30 November 2016)	Deputy City Manager	966,417	75,000	9,000	-	1,050,417
Lukhwareni, Ndvihoniswani (resigned 30 November 2016)	Deputy City Manager	911,713	45,000	9,000	-	965,713
Seabela, Bruno S	SED: Group Legislative Services	1,254,292	105,000	12,600	-	1,371,892
Otumile, Dudlana (resigned 28 February 2017)	JSED: Group ICT	2,426,030	105,000	12,600	-	2,543,630
Manganye, Mahlomola (resigned 30 September 2016)	DSED: Community and Business Safety	418,316	45,000	5,400	-	468,716
De Beer, Joan K	Chief of Emergency Services	1,141,950	42,000	12,600	-	1,196,550
Ramulifho, Khathushelo C	SED: Corporate and Shared Services	1,042,757	50,400	12,600	-	1,105,757
Ngobeni, Khazamula S	Chief of Police	1,120,948	-	12,600	11,520	1,145,068
Thenga, Obed (resigned 15 September 2016)	Chief Audit Executive	346,094	12,500	4,500	-	363,094
		13,038,333	679,900	123,000	122,440	13,963,673

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality		Total	
	2017	2016 Restated*	2017	2016 Restated*		
30. Remuneration of Top Management (continued)						
February to June 2017						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total
Banda, Umar (acting)	Chief Financial Officer	604,167	-	7,500	29,223	640,890
Manganlal, Mayur (acting)	Governance and Support Services	760,558	42,500	9,000	93,194	905,252
Pillay, Navaneethan (acting)	Office of the Chief Operations Officer	1,637,217	116,754	18,000	70,941	1,842,912
Ngobeni, Khazamula (resigned 30 April 2017)	SChief of Police	480,406	-	5,400	11,520	497,326
De Beer, Joan K	Chief of Emergency Services	815,679	30,000	9,000	-	854,679
Mhlongo, Jaftha E (acting)	Chief Audit Executive	1,226,769	84,000	18,000	91,066	1,419,835
Aucamp, Marietha	Chief of Staff	508,193	-	-	-	508,193
Ndlovu, Nomasonto (acting)	CGroup Head: Communication and Marketing	809,994	50,000	9,000	-	868,994
Dharumrajh, Anisha (acting)	Group Head: City Strategy and Organisational Performance	1,633,133	-	18,000	34,559	1,685,692
		8,476,116	323,254	93,900	330,503	9,223,773

June 2016

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total
Dyakala, Andile P	Group Chief Financial Officer	2,123,757	60,000	21,600	-	2,205,357
Kwele, Lindiwe	Deputy City Manager	2,583,664	300,000	21,600	112,959	3,018,223
Mangcu, Lisa N	Deputy City Manager	2,188,114	60,000	21,600	-	2,269,714
Boshielo, Mokholela, K F	Deputy City Manager	2,188,114	180,000	21,600	18,248	2,407,962
Lukhwareni, Ndvihoniswani	Deputy City Manager	2,188,110	108,000	21,600	-	2,317,710
De Beer, Joan K	Chief of Emergency Services	1,846,819	72,000	21,600	-	1,940,419
Ngobeni, Khazamula S	Chief of Police	1,812,853	-	21,600	15,436	1,849,889
Thenga, Obed	Chief Audit Executive	1,673,252	60,000	21,600	-	1,754,852
		16,604,683	840,000	172,800	146,643	17,764,126

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality		Total	
	2017	2016 Restated*	2017	2016 Restated*		
30. Remuneration of Top Management (continued)						
Reporting to the Deputy City Managers						
July 2016 to January 2017						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total
Letlonkane, Pheko I	SED: Transport	1,189,880	70,000	12,600	-	1,272,480
Mhlekwana, Thembeke	SED: Economic Development	1,133,992	-	12,600	-	1,146,592
Makgata, Makgorometje A	SED: City Planning	1,133,992	63,000	12,600	1,430	1,211,022
Ndlovu, Nomasontho C	SED: Communication Marketing and Events	1,133,992	70,000	12,600	-	1,216,592
Mothoagae, Amolemo G	SED: Housing and Human Settlements	1,075,218	140,000	12,600	-	1,227,818
Kekana, Seoketsa E	SED: Health and Social Development	1,074,429	28,000	12,600	-	1,115,029
Manganlal, Mayur	SED: City Strategies and Performance Management	1,064,781	59,500	12,600	-	1,136,881
Matsena, Mapiti D (resigned 9 August 2016)	SEH: Office of the Speaker	174,785	25,494	2,348	-	202,627
Babane, Tiyiselani J	SEH: Office of the Speaker	304,916	-	-	-	304,916
Mkhwebane, Kgaugelo (resigned 30 September 2016)	WSEH: Office of the Chief Whip	443,415	22,500	5,400	-	471,315
Moya, Hazel N	SEH: Office of the Chief Whip	304,916	15,000	5,400	-	325,316
Nteo, Lemoa D (resigned 31 January 2017)	Chief Sustainability Specialist	991,654	49,000	12,600	-	1,053,254
Kolisa, Mthobeli S	SED: Environmental Management	991,548	105,000	12,600	-	1,109,148
Tshwale, Ngwako D	SED: Sport and Recreational Services	904,769	-	12,600	-	917,369
Aucamp, Marietha	Chief of Staff	508,193	-	-	19,656	527,849
Notoane, Stephens R	SED: Water and Sanitation	942,698	42,000	12,600	-	997,298
Ncunyana, Zukiswa (resigned 30 April 2017)	SED: Strategy, Research and Innovation	1,133,992	42,000	12,600	-	1,188,592
		14,507,170	731,494	164,348	21,086	15,424,098

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

		Group		Municipality		
		2017	2016 Restated*	2017	2016 Restated*	
30. Remuneration of Top Management (continued)						
February to June 2017 (reporting to GSO or COO)						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total
Babane, Tiyiselani	Group Head: Office of the Speaker	508,193	-	-	-	508,193
Moya, Hazel	Group Head: Office of the Chief Whip	508,193	25,000	9,000	-	542,193
Shingange, Gerald (acting)	MGroup Head: Group Human Capital Management	1,653,516	120,000	18,000	144,960	1,936,476
Seabelo, Bruno S (resigned 21 May 2017)	Group Head: Shared Services	716,738	60,000	7,200	-	783,938
Mantsena, Tintswalo (resigned 30 June 2017)	PGroup Head: Legal and Secretariat Services	1,431,000	-	18,000	62,486	1,511,486
Makgata, Makgorometje (acting)	AGroup Head: Economic Development and Spatial Planning	809,994	45,000	9,000	1,430	865,424
Mmutlana, Pule M (acting)	Group Head: Group Property	1,229,841	-	18,000	107,818	1,355,659
Pillay, Dayalan (acting)	Group Head: Customer Relations Management	1,629,169	120,000	18,000	47,061	1,814,230
Kekana, Seoketsa E (acting)	Group Head: Health	767,450	20,000	9,000	-	796,450
Notoane, Stephens (acting)	RGroup Head: Utility Services	673,356	30,000	9,000	-	712,356
Letlonkane, Pheko I (acting)	Group Head: Roads and Transport	849,914	50,000	9,000	-	908,914
Kolisa, Mthobeli S (acting)	Group Head: Environmental and Agriculture Management	708,249	75,000	9,000	-	792,249
Tshwale, Ngwako D (acting)	Group Head: Community and Social Development Services	646,263	-	9,000	-	655,263
Memela, Nontobeko (acting)	Group Head: Housing and Human Settlement	1,713,775	132,000	18,000	-	1,863,775
Manganye, Matshwenyego (acting)	FGroup Head: Regional Operations and Coordination	744,480	130,693	7,200	70,018	952,391
		14,590,131	807,693	167,400	433,773	15,998,997

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality		Total	
	2017	2016 Restated*	2017	2016 Restated*		
30. Remuneration of Top Management (continued)						
June 2016						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowances	Total
Madlala, Lungile N	SED: Group Legal Services	2,028,503	180,000	21,600	-	2,230,103
Mhleka, Thembeke S	SED: Economic Development	1,833,949	-	21,600	26,311	1,881,860
Makgata, Makgorometje A	SED: City Planning	1,833,949	108,000	21,600	34,332	1,997,881
Ncunyana, Zukiswa	SED: Strategy, Research and Innovation	1,833,949	72,000	21,600	18,390	1,945,939
Ndlovu, Nomasonto Cynthia	SED: Communication, Marketing and Events	1,833,949	120,000	21,600	77,524	2,053,073
Kekana, Seoketsa E	SED: Health and Social Development	1,737,621	48,000	21,600	-	1,807,221
Shozi, Ernest W (resigned January 2016)	SEH: Office of the Executive Mayor	1,092,748	137,907	12,600	59,569	1,302,824
Maganlal, Mayur	SED: City Strategies and Performance Management	1,722,017	102,000	21,600	-	1,845,617
Nteo, Lemao D	Chief Sustainability Specialist	1,603,753	84,000	21,600	105,728	1,815,081
Kolisa, Mthobeli S	SED: Environmental Management	1,603,753	180,000	21,600	2,002	1,807,355
Letlonkane, Pheko I	SED: Transport Development	1,924,503	120,000	21,600	-	2,066,103
Mothoagae, Amolemo G	SED: Housing and Human Settlement	1,738,896	240,000	21,600	-	2,000,496
Tshwale, Ngako D	SED: Sport and Recreational Services	1,463,237	-	21,600	1,430	1,486,267
Mkhwebane, Kgaugelo W	SED: Office of the Chief Whip	1,673,263	90,000	21,600	-	1,784,863
Manganye, Mahlomola D	SED: Community and Business Safety	1,673,263	180,000	21,600	-	1,874,863
Otumile, Dudlana J	SED: Group Information Officer	1,873,283	180,000	21,600	18,248	2,093,131
Ramulifho, Khathutshelo C	SED: Corporate and Shared Services	1,686,400	86,400	21,600	-	1,794,400
Matsena, Mapiti D	SEH: Office of the Speaker	1,673,267	234,546	21,600	-	1,929,413
		30,830,303	2,162,853	379,800	343,534	33,716,490

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
31. Remuneration of councillors				
Councillors' allowance	115,513,604	109,968,280	115,513,604	109,968,280
Other (Caucus management)	2,489,596	2,475,047	2,489,596	2,475,047
	118,003,200	112,443,327	118,003,200	112,443,327
In-kind benefits				
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee members are full-time employees. Each is provided with an office and secretarial support at the cost of the Municipality.				
According to the organisational structure of the Municipality, the sub section, Executive Mayor Protection, has seven staff members, of which five are VIP protection officers.				
The Executive Mayor is entitled to stay at the mayoral residence owned by the Municipality at no cost. The Executive Mayor has use of a municipal vehicle for official duties.				
The allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.				
Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee:				
For the disclosure of the remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee, refer to Note 29.				
32. Depreciation and amortisation				
Depreciation: Investment property (Note 14)	3,597,149	5,104,402	3,597,149	5,104,402
Amortisation: Intangible assets (Note 15)	55,837,379	43,243,919	55,769,377	43,050,213
Depreciation: Property, plant and equipment (Note 13)	1,347,086,351	1,287,923,378	1,342,695,499	1,286,408,805
Depreciation: Leased assets (Note 17)	52,737,555	15,916,332	52,737,555	15,916,332
Depreciation: Rehabilitation assets (Note 13)	84,245,342	64,950,047	84,245,342	64,950,047
	1,543,503,776	1,417,138,078	1,539,044,922	1,415,429,799
33. Finance costs				
Long-term liabilities (external loans)	1,124,070,551	990,250,051	1,123,785,524	989,920,103
Interest rate swaps	29,714,722	59,740,597	29,714,722	59,740,597
Finance leases	52,082,102	11,739,371	52,082,102	11,739,371
Bank overdraft	644,645	858,049	58,326	186,451
Other finance costs (bank charges, transit banking, etc)	15,638,758	11,257,816	15,638,758	11,257,816
Tshwane House finance cost	37,922,421	-	37,922,421	-
Amortisation: provisions	75,963,758	64,122,583	75,963,758	64,122,583
	1,336,036,957	1,137,968,467	1,335,165,611	1,136,966,921
34. Investment revenue				
Interest revenue (interest received)				
Bank	58,965,222	19,028,645	58,590,616	18,510,640
Short-term investments	46,512,822	17,470,307	46,120,874	16,713,466
Long-term investments	116,881	18,147,894	116,881	18,147,894
Contingency insurance	90,864	2,627,525	90,864	2,627,525
Interest received - Conveyancing	191,573	-	191,573	-
Policies	116,486	-	116,486	-
	105,993,848	57,274,371	105,227,294	55,999,525

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
35. Debt impairment				
Contributions to impairment allowance (refer to Note 20, 22, 23)	889,758,964	445,769,413	742,783,761	293,312,650
Please note the amounts reflected above are the net balance in the expenditure accounts.				
For the 2016/17 financial year the total amount written off was R391 389 374 for consumer receivables and R4 328 491 for other receivables which was written off against the allowance with regard to the Municipality. For the Group an amount of R343 324 012 was written off against the allowance for consumer receivables and R4 834 581 for other receivables.				
For the 2015/16 financial year the total amount written off was R383 849 303 for consumer receivables and R23 936 177 for other receivables which was written off against the allowance with regard to the Municipality. For the Group an amount of R402 780 843 was written off against the allowance for consumer receivables and R24 613 584 for other receivables.				
For amounts written off refer to Note 20, 22 and 23.				
36. Bulk purchases				
Electricity	7,596,424,795	6,887,233,264	7,597,154,111	6,890,347,008
Water	1,805,498,562	1,841,269,935	1,985,221,704	1,918,501,628
	9,401,923,357	8,728,503,199	9,582,375,815	8,808,848,636
37. Grants and subsidies paid				
Grants paid to municipal entities				
Transfers to Sandspruit, TEDA and Housing Company Tshwane	-	-	382,142,676	347,060,760

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
38. General expenses (refer to the statement of financial performance)				
National Health Insurance	19,607,482	25,079,812	19,607,482	25,079,812
Lost books	13,489,926	11,891,594	13,489,926	11,891,594
Auditors' remuneration	23,331,570	25,308,823	21,879,318	23,957,496
Consumables	9,393,771	11,444,357	9,393,771	11,444,357
Disaster recovery grant	-	12,438,403	-	12,438,403
Commission paid	23,412,175	27,101,275	23,412,175	27,101,275
Wi-Fi	24,738,861	38,714,862	24,738,861	38,714,862
Compensation commissioner	11,941,614	23,549,119	11,941,614	23,549,119
Integrated City Development grant	6,145,485	16,531,764	6,145,485	16,531,764
Protective clothing	34,229,407	41,228,764	34,160,350	40,663,302
Chemicals	32,024,173	33,003,351	32,024,173	33,003,351
Municipal Human Settlement Capacity grant	-	28,215,380	-	28,215,380
Gratuities	10,941,189	16,235,010	10,941,189	16,235,010
Ward committee: Administration	124,500	10,070,553	124,500	10,070,553
Greendesk	13,157,647	26,637,723	13,157,647	26,637,723
Rental of plant and equipment	303,026,292	413,377,001	303,026,292	413,377,001
HIV and AIDS grant	18,177,030	17,855,780	18,177,030	17,855,780
Refreshments for meetings	15,700,590	14,955,298	15,700,590	14,955,298
Insurance	109,224,477	140,008,174	109,103,862	139,836,587
LED initiatives	20,580,733	25,424,983	20,580,733	25,424,983
Imbizo	5,926,806	50,480,656	5,926,806	50,480,656
End-user support	27,282,911	44,962,894	27,282,911	44,962,894
Implementation: OITPS	76,933,196	129,537,995	76,933,196	129,537,995
Postage	32,039,231	26,494,981	32,039,231	26,494,981
Fleet	109,201,772	100,762,297	109,201,772	100,762,297
Drug and substance abuse	30,881,845	41,221,959	30,881,845	41,221,959
Membership fees	18,865,448	18,546,503	18,865,448	18,546,503
EPWP expenditure	50,247,000	31,143,000	50,247,000	31,143,000
Communications	6,779,148	36,235,788	6,779,148	36,235,788
Leasing of property	285,894,749	282,637,387	287,054,217	286,032,483
Advertising and marketing	11,592,576	11,376,760	11,573,072	11,263,398
Post-employment benefit expenses	86,824,406	99,189,419	86,824,406	99,189,419
Telecommunication	63,471,191	76,831,606	62,041,087	75,353,686
Inventory write-down	4,171,693	5,411,589	4,171,693	5,411,589
Service providers	19,518,185	11,882,837	19,518,185	11,882,837
Project-linked housing: top structures	72,555,231	90,770,308	72,555,231	90,770,308
Internal Audit services	151,566,795	181,512,467	151,566,795	181,512,467
Tshwane Open (golf day)	35,048,825	40,000,000	35,048,825	40,000,000
Lease expenses	133,223,520	114,967,110	126,742,370	107,832,675
Executive Mayor: donations	13,125,581	28,219,243	13,125,581	28,219,243
EPWP: Job creation	22,207,186	25,673,659	22,207,186	25,673,659
Management information system	38,996,942	49,430,012	38,996,942	49,430,012
Subsistence and travelling	5,251,538	18,652,330	4,920,094	18,333,315
Formalisation: Informal sector	66,526,276	111,251,469	66,526,276	111,251,469
Tshepo 10 000 Council	954,164	10,382,191	954,164	10,382,191
Locomotion allowance	25,309,243	25,857,199	25,309,243	25,857,199
Household refuse removal	48,374,610	63,843,617	48,374,610	63,843,617
Rental vehicles - vatable	23,204,590	108,523,026	23,204,590	108,523,026
Tanker water services	-	17,102,909	-	17,102,909
Petrol and diesel fuel	125,668,311	116,640,557	125,668,311	116,640,557
Re aga Tshwane	16,307,186	93,142,368	16,307,186	93,142,368
Licences	89,108,132	76,219,055	89,108,132	76,219,055
Stationery	24,463,487	36,601,742	23,601,888	35,744,241
PTIS grant expenditure	200,266,208	160,258,853	200,266,208	160,258,853
Tshwane House	(27,615,933)	2,296,099	(27,615,933)	2,296,099
Tshwane Inner City	1,166,072	3,905,627	1,166,072	3,905,627
Internet fees	20,458,683	33,075,854	20,458,683	33,075,854
Training board fees	66,042,124	60,670,079	66,042,124	60,670,079
Stipend learners	3,242	31,029,353	3,242	31,029,353
Events management	12,161,671	16,156,776	12,161,671	16,156,776
Other expenses	332,628,335	481,780,174	317,306,625	464,188,441
	3,015,879,098	3,923,749,774	2,990,951,131	3,897,562,528

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
39. Cash generated from operations				
Surplus	3,039,761,503	1,098,427,405	3,014,701,940	1,096,652,580
Adjustments for:				
Depreciation and amortisation	1,543,503,776	1,417,138,078	1,539,044,922	1,415,429,799
(Loss)/gain on sale of assets and liabilities	66,232,870	(62,341,022)	66,536,177	(62,468,328)
Fair value adjustments	18,855,341	145,366,351	18,855,341	145,366,351
Impairment deficit	2,726,850	362,767	2,726,850	362,767
Debt impairment	889,758,964	445,769,413	742,783,761	293,312,650
Movements in operating lease assets and accruals	(710,438)	(947,802)	-	-
Movements in retirement benefit assets and liabilities	18,762,449	99,172,001	18,762,449	99,172,001
Movements in provisions	162,384,087	151,022,737	162,394,025	151,012,799
Movement in tax receivable and payable	225,261	(947,721)	-	-
Annual charge for deferred tax	758,508	17,944	-	-
Changes in working capital:				
Inventories	(115,441,508)	(91,442,736)	(115,104,753)	(91,443,913)
Other receivables	(257,493,157)	93,710,993	(86,595,388)	226,908,106
Consumer receivables	(2,019,968,582)	(1,408,476,855)	(1,859,097,510)	(1,259,558,056)
Payables from exchange transactions	(303,549,429)	1,714,029,086	(512,105,780)	1,593,749,576
VAT	1,063,037,996	470,240,880	1,053,057,050	470,882,881
Unspent grants and receipts	175,568,219	(40,548,980)	175,568,219	(40,074,460)
Consumer deposits	31,429,554	24,899,810	31,387,379	24,689,856
Taxation	(719,919)	(1,004,776)	-	-
	4,315,122,345	4,054,447,573	4,252,914,682	4,063,994,609

40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act

Contributions to organised local government

Current year subscription/fee	3,617,313	3,607,863	3,617,313	3,607,863
Amount paid - current year	(3,617,313)	(3,607,863)	(3,617,313)	(3,607,863)
	-	-	-	-

Audit fees

Opening balance	-	282,557	-	-
Current year audit fee	24,642,644	25,175,301	21,879,318	22,592,444
Amount paid - current year	(24,642,644)	(25,175,301)	(21,879,318)	(22,592,444)
Amount paid - previous years	-	(282,557)	-	-
	-	-	-	-

The balance of the previous financial year was paid in the following financial year.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	98,501,832	85,251,338	97,311,193	83,275,234
Current year payroll deductions	1,222,695,597	1,091,033,919	1,196,956,479	1,065,954,475
Amount paid - current year	(1,119,951,218)	(992,639,798)	(1,094,212,100)	(968,643,282)
Amount paid - previous years	(98,372,491)	(85,143,627)	(97,311,193)	(83,275,234)
	102,873,720	98,501,832	102,744,379	97,311,193

Pension and Medical Aid Deductions

Current year payroll deductions and Council contributions	2,129,515,113	1,945,293,697	2,098,788,280	1,916,116,814
Amount paid - current year	(2,129,515,113)	(1,945,293,697)	(2,098,788,280)	(1,916,116,814)
	-	-	-	-

Councillors' arrear consumer accounts

The following councillors had accounts outstanding as at Group 30 June 2017:

These councillors made arrangements to pay off their debt.

Group 30 June 2017	Less than 90 days	More than 90 days	Total
Visser, G P	563	229	792
Mashola, M S	17,117	452	17,569
Rammushi, J P	289	191	480
Disoloane, K B	11,877	3,482	15,359
Ditabo, D D	2,000	4,171	6,171
Magaseng, K G M	283	86	369
Boshomane, M J	4,293	493	4,786
Tau, A M	929	564	1,493
Mazwi, K C #	-	35,014	35,014
Strijdom, C E #	6,223	15,203	21,426
Marishane, M S #	(359)	13,830	13,471
Chauke, S R	558	53,782	54,340
Manaka, P N	141	13,668	13,809
Kgatlle, T F (Sandspruit)	1,394	3,143	4,537
Dhlamini, S F (Sandspruit)	134	8,101	8,235
Lehobye, D (Sandspruit)	1,648	13,882	15,530
Thema F (Sandspruit)	517	67	584
Rammushi, J P (Sandspruit)	524	1,864	2,388
Mutumane E D (Sandspruit)	1,098	8,656	9,754
Sindane, J M (Sandspruit)	2,347	25,300	27,647
Motaung (Sandspruit)	5,911	70,553	76,464
	57,487	272,731	330,218

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2017	2016 Restated*	2017	2016 Restated*

40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)				
30 June 2016				
		Less than 90 days	More than 90 days	Total
Kwenda, L H		495	23	518
Buthelezi, MM		1,462	2,023	3,485
Khumalo, Z C #		3,310	5,589	8,899
Mokhoto, D A (Heir) #		270	449	719
Ledwaba, D C		4,378	-	4,378
Makitla, N B #		774	8,083	8,857
Linde, E #		-	17,510	17,510
Mampheko, A M (Sandspruit)		782	9,946	10,728
Motsepe, R H (Sandspruit)		193	22,844	23,037
Rammushi, J P (Sandspruit)		727	8,278	9,005
Sekonya, M D (Sandspruit)		85	819	904
Sindane, J M (Sandspruit)		1,107	21,328	22,435
Sesoko, L (Sandspruit)		7	73	80
		13,590	96,965	110,555

These councillors made arrangements to pay off their debt

41. Non-compliance with applicable legislation

MFMA: Section 65(e) and Section 99(2)(b)

All invoices are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression.

MFMA:

Non-compliance to section 15(b) of the MFMA occurred as unauthorised expenditure was incurred. Refer to note 48.

Non-compliance to section 32 of the MFMA occurred as fruitless and wasteful expenditure was incurred. Refer to note 49.

Supply Chain Management Regulations

Certain deviations from the supply chain management process were not in accordance with: inter alia the requirements of Supply Chain Management Regulation 36(1).

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
42. Commitments				
Authorised capital expenditure				
Approved and contracted for				
• Infrastructure	264,716,657	1,984,106,880	264,716,657	1,984,105,880
• Community	118,950,487	275,797,271	118,950,487	275,797,271
• Other	4,199,093,491	4,135,182,164	4,199,093,491	4,135,182,164
• Intangible assets	648,325,764	913,778,861	648,325,764	913,778,861
• Housing Company Tshwane	437,997,782	1,302,402	-	-
	5,669,084,181	7,310,167,578	5,231,086,399	7,308,864,176
Approved but not yet contracted for				
• Infrastructure	6,985,133	-	6,985,133	-
• Other	57,491,092	9,231,620	57,491,092	9,231,620
	64,476,225	9,231,620	64,476,225	9,231,620
	5,733,560,406	14,620,335,156	5,295,562,624	7,318,095,796
Total capital commitments				
Approved and contracted for	5,669,084,181	3,481,521,909	5,231,086,399	7,308,864,176
Approved but not yet contracted for	64,476,225	13,006,905	64,476,225	9,231,620
	5,733,560,406	3,494,528,814	5,295,562,624	7,318,095,796
Authorised operational expenditure				
Approved and contracted for				
• TEDA	1,306,283	1,824,741	-	-
• Sandspruit Works Association	8,775,389	31,723,716	-	-
• City of Tshwane (various services)	15,839,857,520	18,856,927,091	15,839,857,520	18,856,927,091
	15,849,939,192	18,890,475,548	15,839,857,520	18,856,927,091
Approved but not yet contracted for				
• City of Tshwane (various services)	5,676,366,921	5,725,788,913	5,676,366,921	5,725,788,913
	5,676,366,921	5,725,788,913	5,676,366,921	5,725,788,913
Total operational commitments				
Approved and contracted for	15,849,939,192	973,544,072	15,839,857,520	18,856,927,091
Approved but not yet contracted for	5,676,366,921	951,882,355	5,676,366,921	5,725,788,913
	21,526,306,113	1,925,426,427	21,516,224,441	24,582,716,004
Total commitments				
Total commitments				
Authorised capital expenditure	5,733,560,406	3,494,528,814	5,295,562,624	7,318,095,796
Authorised operational expenditure	21,526,306,113	1,925,426,427	21,516,224,441	24,582,716,004
	27,259,866,519	5,419,955,241	26,811,787,065	31,900,811,800

Restatement of 2015/16:

The total commitments of 2015/16 of the municipality was restated from R5 386 406 784 to RR31 900 812 800 due to a total recalculation and re-evaluation of the commitments during 2016/17.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality		
	2017	2016 Restated*	2017	2016 Restated*	
43. Accumulated surplus					
Ring-fenced internal funds and reserves within accumulated surplus - Group - 2017					
	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	28,199,547	72,366,413	156,442,652	19,406,023,720	19,663,032,332
Net surplus for the year	-	-	-	3,039,761,503	3,039,761,503
Rounding	-	-	-	3	3
Transfer to/(from) reserves	(27,953,814)	1,748,170	-	26,205,644	-
	245,733	74,114,583	156,442,652	22,471,990,870	22,702,793,838
Ring-fenced internal funds and reserves within accumulated surplus - Group - 2016					
	Insurance reserve	COVID reserve	Housing development fund	Other	Total
Opening balance	25,859,091	71,118,358	156,442,652	18,157,636,269	18,411,056,370
Net surplus for the year	-	-	-	308,627,877	308,627,877
Restatement of 2015/16 - CoT	-	-	-	785,713,684	785,713,684
Restatement of 2014/15 - CoT	-	-	-	246,753,243	246,753,243
Restatement of 2013/14 and prior - CoT	-	-	-	(93,971,351)	(93,971,351)
TEDA: Restatement 2015/16	-	-	-	(14,174)	(14,174)
Housing Company: Restatement 2015/16	-	-	-	(152,536)	(152,536)
Housing Company: Restatement 2014/15	-	-	-	766,667	766,667
Sandspruit: Restatement 2015/16	-	-	-	4,252,550	4,252,550
Rounding	-	-	-	2	2
Transfer to/(from) reserves	2,340,456	1,248,055	-	(3,588,511)	-
	28,199,547	72,366,413	156,442,652	19,406,023,720	19,663,032,332
Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2017					
	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	28,199,547	72,366,413	156,442,652	19,360,262,191	19,617,270,803
Net surplus for the year	-	-	-	3,014,701,940	3,014,701,940
Transfer to/(from) reserves	(27,953,814)	1,748,170	-	26,205,644	-
Rounding errors	-	-	-	2	2
	245,733	74,114,583	156,442,652	22,401,169,777	22,631,972,745
Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2016					
	Insurance reserve	COVID reserve	Housing development fund	Other	Total
Opening balance	25,859,092	71,118,358	156,442,652	18,114,416,231	18,367,836,333
Net surplus for the year	-	-	-	310,938,898	310,938,898
Restatement of 2015/16	-	-	-	785,713,684	785,713,684
Restatement of 2014/15	-	-	-	246,753,243	246,753,243
Restatement of 2013/14 and prior	-	-	-	(93,971,351)	(93,971,351)
Transfers to/(from) reserves	2,340,455	1,248,055	-	(3,588,510)	-
Rounding errors	-	-	-	(4)	(4)
	28,199,547	72,366,413	156,442,652	19,360,262,191	19,617,270,803

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
44. Employee benefit obligations				
Pension funds				
Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as an expense in the financial statements.				
Defined contribution plan (as classified by the relevant fund)				
The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee-related costs, Note 29.				
Tshwane Municipal Provident Fund/Tshwane Municipal Gratuity Fund				
5 889 (30.38 %) of the Municipality's employees are members of this fund.	375,950,283	345,797,890	375,950,283	345,797,890
Pension Fund for Municipal Councillors				
The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 76 (0.40%) of the Municipality's employees are members of this fund.	5,397,461	6,580,007	5,397,461	6,580,007
National Fund for Municipal Workers				
7 443 (38.39 %) of the Municipality's employees are members of this fund.	487,602,400	437,453,062	487,602,400	437,453,062
SALA Provident Fund/Gratuity Fund				
55 (0.28 %) of the Municipality's employees are members of this fund.	1,380,148	1,267,502	1,380,148	1,267,502
SAMWU National Pension Fund				
13 (0.07 %) of the Municipality's employees are members of this fund.	932,952	883,993	932,952	883,993
SAMWU National Provident Fund				
1 104 (5.70 %) of the Municipality's employees are members of this fund.	65,204,489	62,915,514	65,204,489	62,915,514
Germiston Municipal Retirement Fund				
4 (0.02 %) of the Municipality's employees are members of this fund.	538,636	492,762	538,636	492,762
Meshawu National Local Authorities Retirement Fund				
30 (0.15 %) of the Municipality's employees are members of this fund.	1,372,757	1,380,511	1,372,757	1,380,511
	938,379,126	856,771,241	938,379,126	856,771,241

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
44. Employee benefit obligations (continued)				
Defined benefit plan (as classified by the relevant funds):				
Tshwane Municipal Pension Fund				
209 (1.08%) of the Municipality's employees are members of this fund.				
Included in general expenses				
Current service cost	28,484,701	28,956,983	28,484,701	28,956,983
Interest cost	230,430,665	210,921,809	230,430,665	210,921,809
Expected return on assets	(201,250,888)	(191,546,587)	(201,250,888)	(191,546,587)
Net actuarial (gain)/loss	41,237,883	62,084,627	41,237,883	62,084,627
Defined benefit expense	98,902,361	110,416,832	98,902,361	110,416,832
Post-employment benefit liability (funded status)				
Present value of the obligation	(2,578,166,365)	(2,532,205,108)	(2,578,166,365)	(2,532,205,108)
Fair value of plan assets	2,174,179,233	2,211,548,215	2,174,179,233	2,211,548,215
Liability recognised in statement of financial position	(403,987,132)	(320,656,893)	(403,987,132)	(320,656,893)
Reconciliation of defined benefit obligation				
Present value of obligation at beginning of year	2,532,205,108	2,459,626,867	2,532,205,108	2,459,626,867
Interest cost	230,430,665	210,921,809	230,430,665	210,921,809
Current service cost	28,484,701	28,956,983	28,484,701	28,956,983
Member contributions	6,221,123	6,269,948	6,221,123	6,269,948
Risk premiums	(1,839,296)	(1,912,879)	(1,839,296)	(1,912,879)
Benefits paid	(142,427,662)	(132,798,217)	(142,427,662)	(132,798,217)
Actuarial (gain)/loss on obligation	(74,908,274)	(38,859,403)	(74,908,274)	(38,859,403)
Present value of obligation at end of year	2,578,166,365	2,532,205,108	2,578,166,365	2,532,205,108

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
44. Employee benefit obligations (continued)				
Reconciliation of plan assets (none of the Municipality's own financial instruments or property are included in the fair value of plan assets)				
Fair value of plan assets at beginning of year	2,211,548,217	2,233,686,186	2,211,548,217	2,233,686,186
Expected return on plan assets	201,250,888	191,546,587	201,250,888	191,546,587
Contributions	21,793,245	21,970,570	21,793,245	21,970,570
Risk premiums	(1,839,296)	(1,912,879)	(1,839,296)	(1,912,879)
Benefits paid	(142,427,662)	(132,798,217)	(142,427,662)	(132,798,217)
Actuarial (gain)/loss on assets	(116,146,157)	(100,944,030)	(116,146,157)	(100,944,030)
Rounding	(2)	-	(2)	-
Fair value of plan assets at end of year	2,174,179,233	2,211,548,217	2,174,179,233	2,211,548,217
Composition of plan assets				
Cash	18.17 %	18.17 %	18.17 %	18.17 %
Equity	40.68 %	40.68 %	40.68 %	40.68 %
Bonds	8.45 %	8.45 %	8.45 %	8.45 %
Property	4.65 %	4.65 %	4.65 %	4.65 %
Other	2.33 %	2.33 %	2.33 %	2.33 %
International	25.72 %	25.72 %	25.72 %	25.72 %
Total	100.00 %	100.00 %	100.00 %	100.00 %
Actual return on plan assets	201,250,888	191,546,587	201,250,888	191,546,587
Estimated contributions to be paid in the next financial period	21,793,245	21,970,570	21,793,245	21,970,570
Municipal Gratuity Fund				
1 469 (7.58%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund.				
Included in general expenses				
Current service cost	5,122,585	1,509,667	5,122,585	1,509,667
Interest cost	5,204,799	4,128,753	5,204,799	4,128,753
Net actuarial (gain)/loss	(5,851,641)	5,729,409	(5,851,641)	5,729,409
Defined benefit expense	4,475,743	11,367,829	4,475,743	11,367,829
Post-employment benefit liability (wholly unfunded)				
Present value of the obligation	(60,512,849)	(56,330,086)	(60,512,849)	(56,330,086)
Net (expense)/income recognised in statement of financial performance	5,008,757	(4,182,763)	5,008,757	(4,182,763)
Liability recognised in statement of financial position	(55,504,092)	(60,512,849)	(55,504,092)	(60,512,849)
Reconciliation of defined benefit obligation				
Present value of obligation at beginning of year	60,512,849	56,330,086	60,512,849	56,330,086
Interest cost	5,204,799	4,128,753	5,204,799	4,128,753
Current service cost	5,122,585	1,509,667	5,122,585	1,509,667
Benefits paid	(9,484,500)	(7,185,066)	(9,484,500)	(7,185,066)
Actuarial (gain)/loss on obligation	(5,851,641)	5,729,409	(5,851,641)	5,729,409
Present value of obligation at end of year	55,504,092	60,512,849	55,504,092	60,512,849

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
44. Employee benefit obligations (continued)				
Estimated benefit payments to be paid iro gratuities in the next financial period	7,072,993	9,484,500	7,072,993	9,484,500
Multi-employer funds				
<p>The Municipality contributes to the following defined benefit plans which are governed by the Pension Fund Act of 1956. Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of GRAP 25. The total contributions are included in employee-related costs, Note 29. The contributions made are as follows:</p>				
SALA Pension Fund				
The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81,9% funding level). The Municipality's employees make up approximately 5,4% of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 104 128. 946(4,88%) of the Municipality's employees are members of this fund.	32,160,782	33,043,559	32,160,782	33,043,559
The Government Employees Pension Fund				
Actuarial valuations are performed every three years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 5 (0.02%) of the Municipality's employees are members of this fund.	500,342	507,896	500,342	507,896
Joint Municipal Pension Fund				
Actuarial valuations are performed every three years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104.9% and the fund was in a sound financial position at the valuation date. 33 (0.17 %) of the Municipality's employees are members of this fund.	3,876,707	4,114,287	3,876,707	4,114,287
Municipal Employees Pension Fund				
The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 2 107 (10,87 %) of the Municipality's employees are members of this fund.	131,029,428	123,740,444	131,029,428	123,740,444
	167,567,259	161,406,186	167,567,259	161,406,186

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
44. Employee benefit obligations (continued)				
Medical aid funds				
Included in general expenses				
Current service cost	10,208,543	16,340,173	10,208,543	16,340,173
Interest cost	106,086,082	106,699,679	106,086,082	106,699,679
Expected employer benefit payments	(54,308,220)	(47,780,436)	(54,308,220)	(47,780,436)
Net actuarial (gain)/loss	(135,123,325)	(128,602,323)	(135,123,325)	(128,602,323)
Defined benefit expense	(73,136,920)	(53,342,907)	(73,136,920)	(53,342,907)
Post-employment benefit liability (wholly unfunded)				
Present value of the unfunded obligation	(1,235,637,623)	(1,226,994,125)	(1,235,637,623)	(1,226,994,125)
Net (expense)/income recognised in statement of financial performance	135,123,325	53,342,907	135,123,325	53,342,907
Liability recognised in statement of financial position	(1,100,514,298)	(1,173,651,218)	(1,100,514,298)	(1,173,651,218)
Reconciliation of defined benefit obligation				
Present value of unfunded obligation at beginning of year	1,173,651,218	1,226,994,125	1,173,651,218	1,226,994,125
Interest cost	106,086,082	106,699,679	106,086,082	106,699,679
Current service cost	10,208,543	16,340,173	10,208,543	16,340,173
Employer contributions	(54,308,220)	(47,780,436)	(54,308,220)	(47,780,436)
Actuarial gains/losses	(135,123,325)	(128,602,323)	(135,123,325)	(128,602,323)
Present value of obligation at end of year	1,100,514,298	1,173,651,218	1,100,514,298	1,173,651,218
Actuarial (gains)/losses recognised in other comprehensive income				
Tshwane Pension Fund	41,237,883	62,084,627	41,237,883	62,084,627
Gratuities	(5,851,641)	5,729,409	(5,851,641)	5,729,409
Medical aid funds	(135,123,325)	(128,602,323)	(135,123,325)	(128,602,323)
Total amount of actuarial (gains)/losses recognised	(99,737,083)	(60,788,287)	(99,737,083)	(60,788,287)
Estimated employer benefit payments to be paid in the next financial period	61,813,613	54,308,220	61,813,613	54,308,220
Sensitivity results				
The effect of an increase or decrease of one percentage point in the assumed health cost inflation is the following:				
Subsidy increase rate:				
Accrued liability 30 June	1,100,514,298	1,173,651,218	1,100,514,298	1,173,651,218
Decrease of 1%	990,234,898	1,067,933,618	990,234,898	1,067,933,618
% change	(10.0)%	(14.0)%	(10.0)%	(14.0)%
Increase of 1%	1,220,416,198	1,314,763,118	1,220,416,198	1,314,763,118
% change	11.0 %	15.0 %	11.0 %	15.0 %

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
44. Employee benefit obligations (continued)				
Long service awards				
Included in general expenses				
Current service cost	63,740,054	57,264,387	63,740,054	57,264,387
Interest cost	45,644,619	49,165,308	45,644,619	49,165,308
Expected employer benefit payments	(77,279,110)	(42,986,327)	(77,279,110)	(42,986,327)
Net actuarial (gain)/loss	(18,527,676)	(9,827,434)	(18,527,676)	(9,827,434)
Defined benefit expense	13,577,887	53,615,934	13,577,887	53,615,934
Post-employment benefit liability (wholly unfunded)				
Present value of the unfunded obligation	(680,655,908)	(627,039,974)	(680,655,908)	(627,039,974)
Net (expense)/income recognised in statement of financial performance	(13,577,887)	(53,615,934)	(13,577,887)	(53,615,934)
Liability recognised in statement of financial position	(694,233,795)	(680,655,908)	(694,233,795)	(680,655,908)
Reconciliation of defined benefit obligation				
Present value of unfunded obligation at beginning of year	680,655,908	627,039,974	680,655,908	627,039,974
Interest cost	45,644,619	49,165,308	45,644,619	49,165,308
Current service cost	63,740,054	57,264,387	63,740,054	57,264,387
Employer contributions	(77,279,110)	(42,986,327)	(77,279,110)	(42,986,327)
Actuarial gains/losses	(18,527,676)	(9,827,434)	(18,527,676)	(9,827,434)
Present value of obligation at end of year	694,233,795	680,655,908	694,233,795	680,655,908
Actuarial (gains)/losses recognised in other comprehensive income				
Long service awards	(18,527,676)	(9,827,434)	(18,527,676)	(9,827,434)
Estimated employer benefit payments to be paid in the next financial period	77,083,382	77,279,110	77,083,382	77,279,110
Sensitivity Results				
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates is as follows:				
Salary increase rate:				
Accrued liability 30 June	694,233,795	680,655,908	694,233,795	680,655,908
Decrease of 1%	637,742,000	622,060,000	637,742,000	622,060,000
% change	(8.0)%	(9.0)%	(8.0)%	(9.0)%
Increase of 1%	758,796,000	747,972,000	758,796,000	747,972,000
% change	9.0 %	10.0 %	9.0 %	10.0 %
Post-employment benefit liability: Statement of financial position				
Pension fund	(403,987,132)	(320,656,893)	(403,987,132)	(320,656,893)
Municipal gratuity fund	(55,504,092)	(60,512,849)	(55,504,092)	(60,512,849)
Medical aid funds	(1,100,514,298)	(1,173,651,218)	(1,100,514,298)	(1,173,651,218)
Long service awards	(694,233,795)	(680,655,908)	(694,233,795)	(680,655,908)
	(2,254,239,317)	(2,235,476,868)	(2,254,239,317)	(2,235,476,868)

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

44. Employee benefit obligations (continued)

Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description on each is given below:

Economic assumptions (pension fund and gratuities)

Discount rate	9.27 %	9.10 %	9.27 %	9.10 %
Inflation rate	6.07 %	6.73 %	6.07 %	6.73 %
Salary increase rate	7.07 %	7.73 %	7.07 %	7.73 %
Expected rate of return on assets	9.27 %	9.10 %	9.27 %	9.10 %
Pension increase allowance	3.76 %	3.03 %	3.76 %	3.03 %
Healthcare cost inflation	7.74 %	7.95 %	7.74 %	7.95 %

Discount rate (pension fund and gratuities)

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability obligations are to be settled. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 9.27 % per annum has been used.

Inflation rate (pension fund and gratuities):

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 6.73% per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. The expected inflation assumption was obtained from the differential between index-linked bonds (2.55%) and nominal bonds (9.27%), with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore determined as follows: $(9.27\% - 0.5\% - 2.55\%)/1.0255$.

Salary increase

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1% (pension funds and gratuities).

Expected return on assets

The accounting standard was recently amended and now requires the assumed rate of return on assets to equal the discount rate, namely 9.27%.

Pension rate increase

The fund's pension increase policy aims to grant increases of between 75% and 100% of annual CPI inflation. If an average of 87.5% is assumed, increases of 5.31% per annum will be awarded on average over the long-term. This implies a post-retirement interest rate of 3.76% (from $1.0927/1.0531 - 1.0$).

Healthcare cost inflation

A health care cost inflation rate of 7.74% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.24%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.56% which derives from $((1+9.42\%)/(1+7.74\%))-1$.

The expected inflation assumption of 6.24% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.53%) and those of fixed interest bonds (9.42%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.42\% - 0.50\%)/(1+2.53\%))-1$.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality		
	2017	2016 Restated*	2017	2016 Restated*	
44. Employee benefit obligations (continued)					
History of liabilities, assets and experience adjustments					
Amounts for the current and previous four years are as follows:					
	2017	2016	2015	2014	2013
History of liabilities and assets					
Accrued liability	1,850,252,185	1,914,819,975	1,910,364,185	1,867,768,832	1,751,067,174
Plan assets	-	-	-	-	-
Surplus/(deficit)	(1,850,252,185)	(1,914,819,975)	(1,910,364,185)	(1,867,768,832)	(1,751,067,174)
Experience adjustments on plan: (Gains) and losses					
Liabilities	20,316,258	(62,213,676)	(50,675,976)	14,429,384	280,382,570

45. Events after the reporting date

2016/17:

Write-off of irrecoverable debt:

A council resolution dated 27 July 2017 approved the write-off of an amount of R64 228 215 in respect of municipal accounts affected by the transfer and registration of the erven mentioned in the report. This amount will be written off in 2017/18.

Integrated Rapid Public Transport Network (IRPTN) - Permanent compensation-Buy out of Taxi operators:

In terms of a Council Resolution dated 27 July 2017 the payment of permanent compensation for Line 1A and Line 2A affected operators was approved. The amounts will be paid out during the 2017/18 financial year and consist of:

- * R112 500 000 for Line 1A affected operators
- * R232 817 274 for Line 2A affected operators.

Termination of the Security of Revenue Project (Smart meter pre-paid):

The Master Service Agreement (MSA) between PEU Capital (Pty) Ltd and City of Tshwane to assist with the Security of Revenue Project (SORP) - which was originally signed on 6 June 2013 was terminated effective 30 June 2015. An Interim Services and Transfer agreement was concluded to facilitate a system take over from PEU, at a value not exceeding R950 million. The contracted service fee, namely 19.5 cents in a Rand, ceased to be paid from 1 July 2015 and an agreed service fee of 9.5 cents in a Rand applied for the maintenance and upkeep of the system.

Afrisake approached the High Court on an urgent basis to interdict the City from paying the amount which was upheld by the Court, and it was ordered that the MSA be subjected to a review and that TUMS continue rendering the service until the matter is finalised. The matter related to the review of the MSA was heard by the courts on 12 October 2017 and the court ruled in favour of the applicant against PEU. It was declared that the Memorandum of Agreement dated 2 October 2012, the Master Serviced Agreement dated 6 June 2013 and the Interim Services and Termination agreement (ISTA) dated 13 August 2015 are constitutionally invalid. The court ordered that all monies that have been accumulated in the dedicated account referred to in ISTA be immediately released to the City. The parties are to determine a just and equitable remedy to be considered by the courts and Total Utilities Management Services (TUMS) was ordered to continue rendering the service to the City in terms of ISTA pending the determination of a just and equitable remedy.

The total expenditure incurred up to 31 October 2017 on the contract amounted to R2 509 864 770 which was declared irregular (refer to Note 50). The total expenditure of R2 509 864 770 can be broken down as follows:

- * 2013/14 = R177 557 908; 2014/15 = R809 190 086; 2015/16 = R612 599 335; 2016/17 = R699 407 655 and 2017/18 up to 31 October = R211 109 786.

Disestablishment of municipal entity:

In terms of a council resolution dated 27 October 2016 it was decided that the municipal entity Sandspruit Works Association will be disestablished and all its operations unwinded. Subsequent to this council resolution, a process plan and time frames were developed to ensure that the disestablishment of Sandspruit Works Association includes all the information relevant to:

- * the takeover and actual disestablishment are promptly done and conform to the requirements for audit purposes
- * transfer of functions from Sandspruit Works Association to the City; and
- * terminate Sandspruit Works Association as a corporate entity.

* See Note 47

City of Tshwane Metropolitan Municipality

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Group		Municipality	
2017	2016 Restated*	2017	2016 Restated*

45. Events after the reporting date (continued)

The resolution taken on 27 October 2016 was taken without an indication of the financial and other obligations associated with Sandspruit Works Association. It was thus important that these obligations must be comprehensively and correctly determined and captured in the disestablishment process in order to ensure that the City is fully aware of the extent of the obligations it will incur as a result of the disestablishment of this municipal entity. Furthermore, Sandspruit Works Association was taken over as an on-going concern; implying that its operations will continue under the corporate structures of the City.

Therefore in a subsequent council resolution dated 25 April 2017 it was resolved that Sandspruit Works Association will continue to operate until 30 June 2017 whereafter all functions will be taken over by City of Tshwane on 1 July 2017. In this resolution the major due dates for activities in terms of the disestablishment plan can be summarised as follows:

- * The information gathering phase must be finalised by end of February 2017
- * The approval of the Transfer Agreement must be done by April 2017
- * The transfer of personnel and assets will take place on 30 June 2017
- * From 1 July 2017 to 31 August 2017 the Annual Financial Statements and Annual Performance Report of Sandspruit Works Association (for the period ending 30 June 2017) will be drafted for audit purposes
- * The audit phase will commence from 1 September 2017 up to its completion during November 2017.
- * The Annual Report of Sandspruit Works Association will be compiled after the finalisation of the audit process
- * The administrative termination of Sandspruit's existence will be concluded once the steps mentioned above have been finalised; and
- * The consultation phase entails informing all communities involved, clients, and employees of Sandspruit Works Association and service providers on the disestablishment.

The municipality has appointed a liquidator from Malatji Geldenhuys attorneys to oversee the disestablishment process of Sandspruit. Furthermore, D Diale and Y Pillay have been appointed as independent non-executive board members effective from 1 July 2017.

TEDA

The directors are not aware of any matter or circumstances arising since the end of the financial year that requires adjustment to or disclosure in the financial statements.

Sandspruit Works Association

The directors of the municipal entity are not aware of any material event which occurred after the reporting date and up to the date of this report. A decision was taken by the Council, following the Council meeting of 28 October 2016, to unwind the operations of Sandspruit Works Association. The resolution stipulates that the unwinding should be finalised by 30 June 2017, where after all operations of Sandspruit will be taken over by City of Tshwane. The municipal entity prepared annual financial statements up 30 June 2017 as normal and on 1 July 2017 the functions have been taken over by City of Tshwane. The debtors accounts were migrated, assets taken over etc.

Housing Company Tshwane

The accounting officer of the municipal entity is not aware of any matter or circumstance arising after the reporting date.

- * The shareholder finalised the review process of entities and Housing Company will continue as a going concern.
- * The turnaround strategy is been developed to re-visit the mandate of the entity and ensure its financial sustainability.
- * Strategic vacant positions will be filled to improve the performance of the entity (i.e. CEO and CFO).
- * The term of the board came to an end in June 2017 and council did extend the term for two board members.

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
46. Related parties				
Relationships				
Name of entity		% Equity interest		
City of Tshwane Metropolitan Municipality		Controlling entity		
Housing Company Tshwane		100% owned by City of Tshwane		
Sandspruit Works Association		100% owned by City of Tshwane		
Tshwane Economic Development Agency (TEDA)		100% owned by City of Tshwane		
Key management		Reference note		
Members of key management		Refer to Note 29 for remuneration of the City Manager		
		Refer to Note 30 for remuneration of top management		
		Refer to Note 29 and 31 for remuneration of Councillors		
The amounts disclosed below refers to the Municipality only.				
Related party balances				
Amounts included in trade receivables and loans regarding related parties				
Sandspruit Works Association			34,298,530	34,298,530
Amounts included in trade payables regarding related parties				
Housing Company Tshwane: Rental received on behalf of City of Tshwane			(196,506)	(196,506)
Housing Company Tshwane: Grant owed by City of Tshwane			-	13,408,050
Housing Company Tshwane: Service charges owed by City of Tshwane			16,881	16,881
Housing Company Tshwane: Deposit owed by City of Tshwane			22,640	22,290
Housing Company Tshwane: Unspent conditional grant			1,549,448	700,000
Sandspruit Works Association: Operating loss account			5,463,189	17,164,741
Sandspruit Works Association: Water treatment works			35,055,369	19,575,206
Sandspruit Works Association: Water accounts			10,492,381	9,864,216
TEDA: City of Tshwane other income			2,900	5,811
Sandspruit Works Association: Year-end			296,509,991	271,493,009
Related party transactions				
Sales to related parties				
Housing Company Tshwane: Rates			(277,186)	(200,381)
Housing Company Tshwane: Water and electricity			(85,559)	(220,007)
Housing Company Tshwane: Deposit paid			-	(22,290)
Sandspruit Works Association (water purchases from CoT)			226,329,388	209,862,624
Sandspruit Works Association (electricity purchases from CoT)			729,316	3,113,744
Purchases from related parties				
Sandspruit Works Association (water sales to City of Tshwane)			179,723,142	77,231,693
TEDA: Printing services			-	2,238
Expenses paid on behalf of related parties				
Housing Company Tshwane: Telephone expenses			83,221	82,260
Sandspruit: Salaries - acting chief executive officer (seconded from CoT)			1,074,535	-
Sandspruit: Salaries - acting chief financial officer (seconded from CoT)			688,860	-
TEDA: City of Tshwane for interns			60,000	131,432
TEDA: CoT for training and development			-	126,120
TEDA: SAP implementation MM and FICO			-	1,200,000
Grants to related parties				
Housing Company Tshwane: current year			31,482,685	19,761,448
Housing Company Tshwane: recognised revenue from prior years			24,408,228	-
Sandspruit Works Association: City of Tshwane - subsidy: waste water			43,062,700	35,054,126
Sandspruit Works Association: City of Tshwane - subsidy: Water			253,447,291	238,095,186
TEDA: Grant			54,150,000	54,150,000
TEDA: Rental income			1,159,468	3,395,096

* See Note 47

City of Tshwane Metropolitan Municipality

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Group		Municipality	
2017	2016 Restated*	2017	2016 Restated*

46. Related parties (continued)

TEDA:

TEDA benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to TEDA:

- * Use of risk management and internal audit resources
- * Audit and Performance Committee from the City of Tshwane
- * Use of network, telecommunication, desktop and server support
- * mSCOA implementation by the City of Tshwane
- * Occupational Health and Safety (OHS) services and records management
- * Insurance management and Joint Operational Committee (JOC) Services
- * QPR - Performance Management Solution; and
- * Cross check system.

Housing Company Tshwane

Housing Company Tshwane benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to the Housing Company Tshwane:

- * Use of risk management and internal audit resources
- * Audit and Performance Committee from the City of Tshwane
- * Use of network, telecommunication, desktop and server support
- * OHS services and records management
- * Insurance management by the City of Tshwane.
- * Acting Head of Housing and Human Settlement was seconded to Housing Company Tshwane as acting CEO from April 2017 to June 2017.

Sandspruit Works Association

Sandspruit benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to Sandspruit:

- * Use of risk management and internal audit resources
- * Audit and Performance Committee from the City of Tshwane
- * Use of Group ICT assistance in the development of website, improvements in network connectivity
- * QPR - Performance Management Solution
- * mSCOA implementation
- * Insurance management by City of Tshwane.

During the current financial year the Deputy City Manager for Infrastructure was seconded as Acting Chief Executive Officer to Sandspruit at no cost.

Subsequent to the withdrawal of the Deputy City Manager as acting CEO, the Executive Head of Shareholder Representative was then seconded as acting CEO.

Sandspruit Works Association: Restatement

During 2016/17 Sandspruit did a restatement of water sales to the City of Tshwane from Sandspruit Works Association from R66 052 114 to R77 231 693.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

47. Prior period restatements

Change in accounting policy

No change in accounting policy occurred during the year under review.

Reclassification

Statement of financial performance

A reclassification was done between repair and maintenance, collection cost, contracted services and general expenses. In terms of the Frequently Asked Questions (FAQ) of the Accounting Standards Board (ASB) repair and maintenance should not be shown on the face of the statement of financial performance, therefore these expenditure items had to be reclassified and it resorted under general expenses and contracted services. Of the total of R1 430 321 931 that was reclassified R793 903 302 was reclassified to contracted services and R636 418 629 was reclassified to general expenses.

Due to the reclassification of repair and maintenance, contracted services had to be shown on the face of the statement of financial performance and a reclassification had to be done from collection cost (R96 618 835) and from general expenses (R2 290 189 399) leading to the net reclassification on general expenses of R1 719 098 099.

Statement of financial position

Housing Company Tshwane did a reclassification between investment property and property, plant and equipment (buildings) to the value of R4 744 081 (cost = R7 490 657 and accumulated depreciation = R2 746 576).

For the municipality a reclassification was done between investment property (R44 450 133), property, plant and equipment (R44 420 479) and Intangible assets (R29 654) due to purification actions performed on the fixed asset register.

Cash flow statement

For the Municipality, a reclassification was done between purchase of investment property and retirements and proceeds from the sale of investment property due to purification to the value of R12 595 565.

Correction of errors

The correction of errors has been done in terms of GRAP 3, paragraph 44, and subject to paragraph 45, whereby material prior period errors have been corrected retrospectively in the first set of financial statements authorised for issue after the discovery of the errors, by restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

The financial statements presented in 2016/17 were restated in detail as per GRAP 3, however to split the impact of the restatement on the 2014/15 financial year is impractical (GRAP 3 paragraph 51 (b)), as it will result in a duplication as the nature of the error has already been addressed in full in the 2015/16 period.

The following material restatements are discussed below:

Revenue

For the Group, service charges were decreased with R1 308 914 as errors were picked up in the allocation of money received for bulk containers.

Other income was decreased with an amount of R10 384 055 due to donation of assets only picked up in 2016/17.

Rental of facilities and equipment was decreased with an amount of R592 174 as a result of the correction of the straight lining calculations. Refer to other receivables on the statement of financial position as well.

Interest received on outstanding consumer debtors was decreased with an amount of R33 552 due to the correction of errors in the in duplum rule relating to other debtors.

Gain on disposal of assets was increased with an amount of R236 532 as a result of corrections on scrapping of assets and disposal of assets and the purification of the fixed asset register.

Expense:

Remuneration was increased with an amount of R54 139 by the Tshwane Market for part time cashiers for June 2016 for the municipality and TEDA increased remuneration with an amount of R19 686.

* See Note 47

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47. Prior period restatements (continued)

Depreciation and amortisation were decreased with an amount of R19 557 780 as a result of the purification of the fixed asset register as well as formula errors picked up in the finance lease calculations.

Repairs and maintenance was decreased with an amount of R2 361 801 due to the purification of the fixed asset register.

General expense was increased with an amount of R54 304 430 due to the correction of errors on rental payments and purification of the fixed asset register.

Contribution to debt impairment was decreased with an amount of R833 150 500 relating to 2015/16. This restatement was necessary as an error was identified in the calculation method.

Statement of financial position:

Cash and cash equivalents was decreased with an amount of R1 308 914 due to corrections of allocations from the bank to revenue from bulk containers.

Other receivables were decreased with an amount of R17 559 331 consisting of a correction on straight lining of rental income and a correction in the provision for impairment.

Consumer receivables were increased with an amount of R896 204 024 due to a correction in the provision for impairment.

Investment property was decreased with an amount of R29 917 282 due to purification of the fixed asset register.

The increase of property, plant and equipment with an amount of R137 509 871 consists mainly of purification of the fixed asset register and transferring amounts to operational expenditure which cannot be capitalised as an asset as part of the purification of assets under construction.

Intangible assets were increased with an amount of R15 201 121 due to purification actions.

Leased assets were increased with an amount of R125 059 432 due to formula errors picked up in the calculation of the asset values and depreciation.

Heritage assets were decreased with an amount of R97 000 due to purification actions.

Long-term receivables were decreased with an amount of R1 025 500 due to correction of levies.

Trade payables were increased with an amount of R127 334 883 due to the correction of the accrual on remuneration by the Tshwane Market in respect of part time cashiers and corrections on rental payments as well as creditor accruals.

VAT payable and receivable was increased with a net amount of R54 071 098 consisting of a decrease of R9 893 860 mainly due to the VAT audit and an increase of R44 177 238 due to a correction on the provision for impairment of debtors.

For the municipality the accumulated surplus was increased with a net amount of R938 495 575 consisting of an increase in the surplus of 2015/16 of R785 713 684, an increase in the surplus of 2014/15 of R246 753 243 and a decrease in the surplus of 2013/14 and prior of R93 971 351. Housing Company Tshwane restated 2015/16 with an amount of R152 536 (decrease) and 2014/15 with R766 667 increase due to the treatment of the Eloff building. Sandspruit restated 2015/16 with an amount of R3 570 420 (increase) due errors picked up in asset calculations an TEDA restated 2015/16 with a decrease in the surplus of R14 174.

Restatement on disclosure notes:

Note 18 - Disposal of a significant asset(s) or group of assets and liabilities:

The sale of properties during 2015/16 have been restated with an amount of R55 046 from R14 693 476 to R14 748 522.

Note 46 - Related party transactions:

Sandspruit Works Association:

During 2016/17 Sandspruit Works Association did a restatement of water sales to City of Tshwane from R66 052 114 to R77 231 693.

Note 50- Irregular expenditure:

Irregular expenditure of 2015/16 was restated in respect of the smart pre-paid meter contract to the value of R856 554 (disclosure was corrected from R808 333 532 to R809 190 086). For the group the opening balance of 2015/16 was restated with an amount of R706 370 after a calculation error was discovered during 2016/17 financial year end.

* See Note 47

City of Tshwane Metropolitan Municipality

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47. Prior period restatements (continued)

Note 55 - Contingencies (pending claims):

The pending claims with regard to assets (motor and non-motor) for the 2015/16 financial year was incorrectly disclosed and are restated now in 2016/17. The value has been restated from R312 628 802 to R645 848 620 (refer to note 55).

Note 54 -Rental income straight lining

The total rental income was restated with an amount of R89 581 622 (from R335 455 314 to R245 873 692) during 2016/17 due to calculation errors picked up.

Note 42 - Commitments:The total commitments of 2015/16 of the municipality was restated from R5 386 406 784 to RR31 900 812 800 due to a total recalculation and re-evaluation of the commitments during 2016/17

Presented below are the prior period restatements contained in the surplus for the year, the statement of financial position and the cash flow statement.

Group	As previously reported	Reclassi- fication	Correction of errors	Restated
2016				
Statement of financial performance				
Revenue				
Property rates	5,360,554,242	-	-	5,360,554,242
Service charges	14,590,104,963	-	(1,308,914)	14,588,796,049
Rental of facilities and equipment	135,348,680	-	592,174	135,940,854
Interest received: Outstanding consumer debtors	406,006,426	-	(33,552)	405,972,874
Public contributions and donations	276,873,503	-	-	276,873,503
Fines	313,548,835	-	-	313,548,835
Licences and permits	48,743,171	-	-	48,743,171
Government grants, subsidies, awards and donations	5,969,315,203	-	-	5,969,315,203
Sponsorship revenue	394,737	-	-	394,737
Other income	749,598,106	-	(10,384,055)	739,214,051
Interest received - external investments	57,274,371	-	-	57,274,371
Gain: Disposal of assets and liabilities	62,104,490	-	236,532	62,341,022
Total Revenue	27,969,866,727	-	(10,897,815)	27,958,968,912
Expenditure				
Remuneration	7,529,930,539	-	73,825	7,530,004,364
Remuneration of councillors	112,443,327	-	-	112,443,327
Depreciation and amortisation	1,436,695,858	-	(19,557,780)	1,417,138,078
Impairment loss/reversal of impairments	362,767	-	-	362,767
Finance cost	1,137,968,467	-	-	1,137,968,467
Debt impairment	1,278,919,913	-	(833,150,500)	445,769,413
Collection costs	268,119,592	(96,618,835)	-	171,500,757
Repairs and maintenance	1,432,683,732	(1,430,321,931)	(2,361,801)	-
Bulk purchases	8,728,503,199	-	-	8,728,503,199
Contracted services	-	3,246,038,865	-	3,246,038,865
General expenses	5,588,543,443	(1,719,098,099)	54,304,430	3,923,749,774
Fair value adjustments	145,366,351	-	-	145,366,351
Gain/(loss) on foreign exchange	1,678,206	-	-	1,678,206
Taxation	23,456	-	(5,512)	17,944
Total expenditure	27,661,238,850	-	(800,697,338)	26,860,541,512
Surplus for the year	308,627,877	-	789,799,523	1,098,427,400

* See Note 47

City of Tshwane Metropolitan Municipality

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47. Prior period restatements (continued)

Group	As previously reported	Reclassification	Correction of errors	Restated
2016				
Statement of financial position				
Current assets				
Inventory	576,917,890	-	-	576,917,890
Current portion of long-term receivables	95,249,478	-	-	95,249,478
Current tax receivable	1,176,843	-	-	1,176,843
Operating lease asset	49,216	-	-	49,216
Consumer receivables	2,603,596,625	-	896,204,024	3,499,800,649
VAT receivable	4,955,043	-	-	4,955,043
Other receivables	1,106,236,231	-	(17,559,331)	1,088,676,900
Call investment deposits	1,090,829,976	-	-	1,090,829,976
Cash and cash equivalents	95,219,108	-	(1,308,914)	93,910,194
Non-current assets				
Investment property	807,269,932	(4,744,081)	(29,917,282)	772,608,569
Property, plant and equipment	31,527,146,324	4,744,081	137,509,871	31,669,400,276
Leased assets	115,028,935	-	125,059,432	240,088,367
Intangible assets	392,977,201	-	15,201,121	408,178,322
Heritage assets	3,629,977,497	-	(97,000)	3,629,880,497
Investments	710,520	-	-	710,520
Long-term receivables	19,851,340	-	(1,025,500)	18,825,840
Interest rate swap asset	43,936,952	-	-	43,936,952
Current liabilities				
Loans and bonds	622,427,283	-	-	622,427,283
Lease liabilities	110,418,332	-	-	110,418,332
Deferred operating lease liability	397,231	-	-	397,231
Payables from exchange transactions	7,443,748,606	-	127,334,883	7,571,083,489
VAT payable	486,790,594	-	54,071,098	540,861,692
Consumer deposits	379,915,638	-	-	379,915,638
Unspent grants and receipts	130,291,177	-	-	130,291,177
Non-current liabilities				
Loans and bonds	10,321,798,390	-	-	10,321,798,390
Lease liabilities	33,634,395	-	-	33,634,395
Deferred operating lease liability	546,154	-	(682,130)	(135,976)
Employee benefit obligation	2,235,476,868	-	-	2,235,476,868
Deferred tax	71,967	-	(5,512)	66,455
Provisions	806,551,849	-	-	806,551,849
Interest rate swap liability	147,119,727	-	-	147,119,727
Service concession arrangements	672,256,650	-	-	672,256,650
Equity				
Accumulated surplus	18,719,684,250	-	943,348,082	19,663,032,332

* See Note 47

City of Tshwane Metropolitan Municipality

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47. Prior period restatements (continued)

Group	As previously reported	Reclassification	Correction of errors	Restated
2016				
Cash flow statement				
Cash generated from operations				
Cash receipts from other revenue sources	2,272,335,757	-	(8,234,667)	2,264,101,090
Cash receipts from rate payers and service charges	18,968,392,038	-	(1,308,914)	18,967,083,124
Grants	5,930,802,716	-	-	5,930,802,716
Interest income	57,274,371	-	-	57,274,371
Cash paid to employees	(7,642,373,866)	-	(73,825)	(7,642,447,691)
Cash paid to suppliers	(14,447,440,044)	-	63,060,418	(14,384,379,626)
Finance costs (interest paid)	(1,137,968,467)	-	-	(1,137,968,467)
Taxes on surpluses	(23,456)	-	5,512	(17,944)
Net cash generated from operations	4,000,999,049	-	53,448,524	4,054,447,573
Cash flow from investing activities				
Purchase of property, plant and equipment	(4,998,931,961)	-	(55,585,252)	(5,054,517,213)
Proceeds from sale of property, plant and equipment	315,588,558	-	1,101,252	316,689,810
Purchase of investment property	1,864,822	(12,595,565)	(276,013)	(11,006,756)
Purchase of other intangible assets/restatements	(46,325,440)	-	-	(46,325,440)
Proceeds from sale of investment property	-	12,595,565	-	12,595,565
Purchase of heritage assets	(22,349,296)	-	-	(22,349,296)
Movement in long-term receivables	45,469,606	-	2,500	45,472,106
Net cash from investing activities	(4,704,683,711)	-	(54,757,513)	(4,759,441,224)
Cash flow from financing activities				
Proceeds from long-term liabilities	1,200,000,000	-	-	1,200,000,000
Repayment of long-term liabilities	(518,231,162)	-	-	(518,231,162)
Finance lease repayments	(64,810,162)	-	-	(64,810,162)
Service concession arrangements	672,256,650	-	-	672,256,650
Net cash from financing activities	1,289,215,326	-	-	1,289,215,326
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	585,530,664	-	(1,308,912)	584,221,752
Cash and cash equivalents at the beginning of the year	600,518,420	-	-	600,518,420
Cash flow at the end of the year	1,186,049,084	-	(1,308,912)	1,184,740,172
Municipality				
2016				
Statement of financial performance				
Revenue				
Property rates	5,360,754,623	-	-	5,360,754,623
Service charges	14,688,149,864	-	(1,308,914)	14,686,840,950
Rental of facilities and equipment	131,388,317	-	592,174	131,980,491
Interest received: Outstanding consumer debtors	361,055,496	-	(33,552)	361,021,944
Public contributions and donations	276,873,503	-	-	276,873,503
Fines	313,548,835	-	-	313,548,835
Licences and permits	48,743,171	-	-	48,743,171
Government grants and subsidies	5,969,036,348	-	-	5,969,036,348
Other income	748,562,814	-	(10,384,055)	738,178,759
Interest received - external investments	55,999,525	-	-	55,999,525
Gain: Disposal of assets and liabilities	62,231,796	-	236,532	62,468,328
Total Revenue	28,016,344,292	-	(10,897,815)	28,005,446,477

* See Note 47

City of Tshwane Metropolitan Municipality

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47. Prior period restatements (continued)

Municipality	As previously reported	Reclassification	Correction of errors	Restated
2016				
Expenditure				
Employee costs	7,397,754,728	-	54,139	7,397,808,867
Remuneration of councillors	112,443,327	-	-	112,443,327
Depreciation and amortisation	1,431,340,492	-	(15,910,693)	1,415,429,799
Impairment loss/reversal of impairments	362,767	-	-	362,767
Finance cost	1,136,966,921	-	-	1,136,966,921
Debt impairment	1,126,463,150	-	(833,150,500)	293,312,650
Collection costs	267,860,384	(96,618,835)	-	171,241,549
Repairs and maintenance	1,428,538,692	(1,428,498,977)	(39,715)	-
Bulk purchases	8,808,848,636	-	-	8,808,848,636
Contracted services	-	3,180,711,536	-	3,180,711,536
Grants and subsidies paid	347,060,760	-	-	347,060,760
General expenses	5,500,720,981	(1,655,593,724)	52,435,271	3,897,562,528
Fair value adjustments	145,366,351	-	-	145,366,351
Loss on foreign exchange transactions	1,678,206	-	-	1,678,206
Total expenditure	27,705,405,395	-	(796,611,498)	26,908,793,897
Surplus for the year	310,938,897	-	785,713,683	1,096,652,580

Municipality	As previously reported	Reclassification	Correction of errors	Restated
2016				
Statement of financial position				
Current assets				
Inventory	573,789,834	-	-	573,789,834
Current portion of long-term receivables	95,249,478	-	-	95,249,478
Other receivables	1,003,586,595	-	(17,559,331)	986,027,264
Consumer receivables	2,594,648,189	-	896,204,024	3,490,852,213
Call investment deposits	1,087,430,061	-	-	1,087,430,061
Cash and cash equivalents	75,890,080	-	(1,308,914)	74,581,166
Non-current assets				
Investment property	802,525,850	44,450,133	(74,367,414)	772,608,569
Property, plant and equipment	31,500,515,169	(44,420,479)	176,855,672	31,632,950,362
Leased assets	115,028,935	-	125,059,432	240,088,367
Intangible assets	392,729,520	(29,654)	15,212,678	407,912,544
Heritage assets	3,629,977,497	-	(97,000)	3,629,880,497
Investments	710,520	-	-	710,520
Long-term receivables	19,851,340	-	(1,025,500)	18,825,840
Interest rate swap asset	43,936,952	-	-	43,936,952
Current liabilities				
Trade and other payables from exchange transactions	7,316,614,459	-	127,315,197	7,443,929,656
Long-term liabilities	622,111,885	-	-	622,111,885
Lease liabilities	110,418,332	-	-	110,418,332
VAT payable	486,740,150	-	53,162,875	539,903,025
Unspent grants and receipts	130,291,177	-	-	130,291,177
Consumer deposits	375,949,547	-	-	375,949,547
Non-current liabilities				
Long-term liabilities	10,319,939,692	-	-	10,319,939,692
Lease liabilities	33,634,395	-	-	33,634,395
Retirement benefit obligation	2,235,476,868	-	-	2,235,476,868
Provisions	806,541,911	-	-	806,541,911
Service concession arrangements	672,256,650	-	-	672,256,650
Interest rate swap liability	147,119,727	-	-	147,119,727
Equity				
Accumulated surplus	18,678,775,227	-	938,495,575	19,617,270,802

* See Note 47

City of Tshwane Metropolitan Municipality

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47. Prior period restatements (continued)

Municipality	As previously reported	Reclassification	Correction of errors	Restated
2016				
Cash flow statement				
Cash generated from operations				
Cash receipts from ratepayers and service charges	19,211,688,643	-	(1,308,914)	19,210,379,729
Cash receipts from other revenue sources	2,549,889,856	-	(198,100,527)	2,351,789,329
Grants received	5,930,802,716	-	-	5,930,802,716
Cash paid to suppliers	(14,742,700,772)	-	252,003,958	(14,490,696,814)
Cash paid to employees	(7,510,198,055)	-	(54,139)	(7,510,252,194)
Transfers and grants paid	(347,060,760)	-	-	(347,060,760)
Finance costs (interest paid)	(1,136,966,921)	-	-	(1,136,966,921)
Interest Income	55,999,525	-	-	55,999,525
Net cash generated from operations	4,011,454,232	-	52,540,378	4,063,994,610
Cash flow from investing activities				
Purchase of property, plant and equipment	(4,982,392,526)	-	(54,677,106)	(5,037,069,632)
Proceeds from sale of property, plant and equipment	315,588,558	-	1,101,331	316,689,889
Purchase of investment property	1,864,822	(12,595,565)	(276,013)	(11,006,756)
Purchase of other intangible assets/restatements	(46,265,624)	-	-	(46,265,624)
Purchase of heritage assets	(22,349,296)	-	-	(22,349,296)
Proceeds from sale of investment property	-	12,595,565	-	12,595,565
Movement in long-term receivables	45,469,606	-	2,499	45,472,105
Net cash from investing activities	(4,688,084,460)	-	(53,849,289)	(4,741,933,749)
Cash flow from financing activities				
Proceeds from long-term liabilities	1,200,000,000	-	-	1,200,000,000
Repayment of long-term liabilities	(517,915,839)	-	-	(517,915,839)
Finance lease repayments	(64,810,162)	-	-	(64,810,162)
Service concession arrangements	672,256,650	-	-	672,256,650
Net cash from financing activities	1,289,530,649	-	-	1,289,530,649
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	612,900,423	-	(1,308,914)	611,591,509
Cash and cash equivalents at the beginning of the year	550,419,718	-	-	550,419,718
Cash and cash equivalents at the end of the year	1,163,320,141	-	-	1,162,011,227

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
48. Unauthorised expenditure				
Opening balance	1,657,852,448	785,504,172	1,657,852,448	785,504,172
Unauthorised expenditure in current year (refer to Appendix D for detail)	620,032,290	1,657,852,448	620,032,290	1,657,852,448
Less: Approved/Condoned by the Council in respect of the previous financial year	(1,657,852,448)	(785,504,172)	(1,657,852,448)	(785,504,172)
	620,032,290	1,657,852,448	620,032,290	1,657,852,448

2016/17:

Refer to Appendix D relating to municipal votes and Appendix E relating to revenue and expenditure line items for more detail.

Action taken: Expenditures have been referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to the Council.

The over-expenditure can mainly be attributed to employee-related costs, depreciation, finance charges, bulk purchases, contracted services, transfers and grants, and loss on disposal of property, plant and equipment.

Note: The unauthorised expenditure disclosed above is determined by the over-expenditure per municipal vote. While the unauthorised expenditure disclosed in the Statement of Comparison between Budget and Actual Amount is determined by the over-expenditure on the type of expenditure line items.

Unauthorised expenditure: Budget overspending - per strategic unit

Shared Services	23,884,129	56,270,527	23,884,129	56,270,527
Emergency Services	-	15,616,241	-	15,616,241
Group Financial Services	-	688,340,695	-	688,340,695
Health and Social Development	-	10,240,368	-	10,240,368
Metro Police Services	105,211,623	101,426,283	105,211,623	101,426,283
Group Legal and Secretarial Services	66,947,200	81,865,918	66,947,200	81,865,918
Customer Relations Management	2,306,490	2,562,279	2,306,490	2,562,279
Group Audit and Risk	56,559,663	85,437,129	56,559,663	85,437,129
Service Delivery and Transformation Management	-	252,721,018	-	252,721,018
Utility Service: Electricity	147,648,678	67,992,114	147,648,678	67,992,114
Utility Service: Water and Sanitation	-	122,363,318	-	122,363,318
Sport and Recreation	-	27,651,278	-	27,651,278
Roads and Transport	-	124,971,216	-	124,971,216
Housing and Human Settlement	-	20,394,064	-	20,394,064
Group Property Management	58,815,396	-	58,815,396	-
Environmental and Agriculture Management	781,880	-	781,880	-
Regional Operations and Coordination	156,847,034	-	156,847,034	-
Community and Social Development	1,030,197	-	1,030,197	-
	620,032,290	1,657,852,448	620,032,290	1,657,852,448

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
49. Fruitless and wasteful expenditure				
Opening balance	6,204,343	5,504,651	1,475,934	1,068,137
Water purification plant (Themba): standing time, interest and reapplication of licence	41,502,534	-	41,502,534	-
Interest and penalties on late payments (Eskom accounts)	-	407,797	-	407,797
Housing Company Tshwane	8	464,339	-	-
TEDA: Interest charged by SARS (VAT 201 returns)	-	382,449	-	-
TEDA: Understatement charge on VAT 201 and EMP 201	-	41,823	-	-
Less: TEDA - write-off	(424,272)	(870,123)	-	-
Sandspruit - legal fees for disciplinary process of former CEO	-	180,000	-	-
Sandspruit: Interest charges and court fees	554	8,040	-	-
Sandspruit: Interest charges paid to Waste water treatment works (WWTW) contractor	-	85,367	-	-
Housing Company Tshwane - recoveries	(14,339)	-	-	-
Housing Company Tshwane - condoned by board	(450,000)	-	-	-
	46,818,828	6,204,343	42,978,468	1,475,934

Details of fruitless-and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
CoT: Water purification plant (Themba): standing time, interest and reapplication of licence	Under investigation - outcome pending	41,502,534
Housing Company Tshwane: Interest due to late payment of electricity bill	Management negotiated reversal - without success	6
Housing Company Tshwane: interest on bank charges	Investigation conducted - amount will be recovered from official	2
Sandspruit: Interest charges late payment of rent due to non-availability of contract	Will be recovered from the affected employee	554
		41,503,096

Details of fruitless-and wasteful expenditure condoned

	Condoned by the Council/City Manager/SED	
TEDA: Interest charged by SARS	Write-off by the Board	382,449
TEDA: Understatement charge on VAT 201 and EMP201	Write-off by the Board	41,823
Housing Company Tshwane: Recoveries	Investigation concluded - recovered from officials	14,339
Housing Company Tshwane: condonement	Investigation concluded - board condoned expenditure	450,000
		888,611

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
50. Irregular expenditure				
Opening balance	2,596,730,720	1,612,822,862	2,531,700,661	1,581,579,918
Lack of proper planning accounted for as deviation	410,000	-	410,000	-
Irregular expenditure ito section 32 of the MFMA	178,813,021	11,544,053	178,813,021	11,544,053
Irregular expenditure due to not following proper quotaion process	240,980	-	240,980	-
Add: Irregular expenditure due to procurement splitting	276,200	622,004	276,200	622,004
Irregular expenditure due to prohibited supplier	-	56,235	-	56,235
Irregular expenditure due to tender advertised for less than 30 days	24,200,234	14,154,907	24,200,234	14,154,907
Irregular expenditure due to non-compliance with MFMA, SCM regulations and PPP regulations	129,906,526	32,688,701	129,906,526	32,688,701
Irregular expenditure due to irregular award of tender	41,706,160	37,948,725	41,706,160	37,948,725
Irregular expenditure due to deviation requirements not justified	-	38,697,350	-	38,697,350
Irregular expenditure due to non-compliance with MFMA and SCM regulations (Wifi)	78,809,200	113,938,611	78,809,200	113,938,611
Irregular expenditure - non-compliance with MFMA (SCM)	52,265,209	-	52,265,209	-
Irregular expenditure due to BRT system contract CB239/2012	5,074,707	87,870,822	5,074,707	87,870,822
Irregular expenditure: Quotations above R30 000 through e-procurement sysem	61,284	-	61,284	-
Irregular expenditure: PEU (Smart-prepaid contract)	699,407,655	612,599,335	699,407,655	612,599,335
Sandspruit: Non-compliance with SCM regulations	181,260	11,779,804	-	-
Housing Company Tshwane: Non-compliance with SCM regulations	3,618,763	22,216,307	-	-
Less: Sandspruit condoned	-	(208,996)	-	-
Less: Approved/condoned irregular expenditure in terms of Wi-fi	(372,747,540)	-	(372,747,540)	-
Less: Housing Company Tshwane - recovered	(12,130)	-	-	-
	3,438,942,249	2,596,730,720	3,370,124,297	2,531,700,661

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

50. Irregular expenditure (continued)

Details of irregular expenditure condoned

	Condoned /written off	
Irregular expenditure due to non-compliance with MFMA and SCM regulations (Wi-fi)	Council Resolution 29 June 2017 - City did not suffer any loss as a result of contract	372,747,540
Housing Company Tshwane: Buying office supplies - petty cash threshold exceeded	Recovered from official	3,940
Housing Company Tshwane: Buying flight tickets - petty cash threshold exceeded	Recovered from official	2,875
Housing Company Tshwane: Buying flight tickets - petty cash threshold exceeded	Recovered from official	5,315
		<u>372,759,670</u>

Restatement of prior years:

For the group the opening balance of 2015/16 was restated with an amount of R706 370 after a calculation error was discovered during 2016/17 financial year end.

For the municipality: Irregular expenditure of 2015/16 was restated in respect of the smart pre-paid meter contract to the value of R856 554 (disclosure was corrected from R808 333 532 to R809 190 086).

51. Regulation 45 disclosure

As per section 45 of the MFMA SCM regulations (awards to close family members of persons in the service of the state), the notes to the annual financial statements of a municipality 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 12 months, indicating:

- The name of that person;
- The capacity in which that person is in the service of the state/municipality; and
- The amount of the award.

The information regarding awards made for the financial year is indicated below.

Municipality

Employee	Family member and capacity	Value of awards June 2017	Value of awards 30 June 2016
A Springbok (Snr Safety Officer)	V Springbok (Spouse)	99,390	155,455
W J Snyman (Storekeeper)	Z Snyman (Spouse)	61,339	1,227,131
Mamouba Rahab (CIC Temp)	Mamouba Rahab Mogano (Spouse)	9,429,035	-
K A Maremane (Artisan)	M D Mamogobo (Spouse)	652,701	547,894
T T Phalane (Constable)	M E Phalane (Spouse)	188,820	363,315
S Maboate (General Worker)	M M Khothama (Spouse)	-	22,355
P S Kgasago (Internal Audit consultant)	M R Kgasago (Spouse)	-	11,700
S R Makole (Bus driver)	M L Makole (Spouse)	-	7,656
M B Masina (Administrative officer)	B B Masina (Spouse)	189,320	47,000
P C Nkadimeng (Foreman)	L L Nkadimeng (Spouse)	-	184,266
Mhlupheki Samuel (Supervisor)	M S Mahlangu (Spouse)	22,932,276	-
Benjamin Zacharia Tsela (Librarian)	J B Tsela (Spouse)	36,178,336	-
J Masenya (Storekeeper)	L J Masenya (Spouse)	-	6,000
P V Mtshweni (Accountant)	Ikageng Rekopile Komane (Spouse)	2,262,943	82,029
P D Mabasa (Community Health nurse)	Prudence Malatji (Spouse)	5,611,695	-
		<u>77,605,855</u>	<u>2,654,801</u>

Municipal entities:

No awards were made in terms of regulation 45 during the 2016/17 financial year.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
52. In-kind donations and assistance				
Donation of properties to churches and NGO's				
Erf 3645 Refilwe extension 4 to Christ Saves Ministeries	-	285,000	-	285,000
Erf 4480 Kudube Unit 1 to St Johns Apostolic Church of Prophecy	-	170,000	-	170,000
Erf 1989 Valhalla to Tshwane Islamic Centre Trust	-	2,900,000	-	2,900,000
Erf 1872 Eersterust extension 3 to Omega Community Centre	-	250,000	-	250,000
Portion of the remainder of portion 20 of the farm Olievenhoutbosch 389 JR to Enlightened Christian Gathering Church	-	13,327,000	-	13,327,000
Erf 33617 Mamelodi East to Evangelical Gospel Church	-	155,000	-	155,000
Erf 7018 Saulsville to Uniting Reformed Church in South Africa	-	60,000	-	60,000
	<u>-</u>	<u>17,147,000</u>	<u>-</u>	<u>17,147,000</u>

No properties were donated during the 2016/17 financial year.

2016/17:

The Municipality received the following in-kind- donations and assistance during the 2016/17 financial year to date:

Region 6: Libraries and Culture - Sabinet donated R5 000 to Rev J M Buthane for their "Tea for Senior Citizens" in December 2016. The donations were in the form of goods procured from Kit Kat.

Emergency Services:

- *1 Bottle Glenlivet whisky valued at R310 from Govest Fire
- * A braaier valued at R1 500 from The Voortrekkers
- * 300 x Squeeze bottles valued at R6 000 from the Office of the Executive Mayor
- * 300 x Nedbank T-shirts valued at R24 000 from the Office of the Executive Mayor
- * 35 x IDDR school bags valued at R6 431.25 from Provincial Disaster Management
- * Catering services and hire of equipment valued at R16 230 by Fleet Africa for the launching of Heuweloord Fire Station.
- * Catering services and hire of equipment valued at R16 230 by Marce for the launching of Heuweloord Fire Station.
- * Catering services and hire of equipment valued at R12 000 by Primat Construction for the launching of Heuweloord Fire Station.
- * 80 photo frames valued at R4 000 by Global Communications for acknowledgement of long service (30 and 40 years).
- * Gift pack of Johnnie Walker Black Label Whiskey from Mercedes Benz (R500)
- * Lanyards and laptop sleeves from Centre for Public Service and Innovation (CPSI) as donation for the girls during take a girl child to work programme (R 1 100).

Tshwane Airport Services:

- * Professional Flight Centre - water and flower arrangements (R10 500); food for 200 guests (R40 000) and marquee tent for event (R10 000)
- * Blue Chip - Petrol for Little Annie (R5 000)
- * Fly Jetstream (Caps for Children - R5 000)
- * Ahrlec (Refreshments and petrol for Little Annie (R16 000)
- * Giovannis restaurant - caps for children and sweets (R5 000)
- * Constantia metering - gifts for children and sweets (R5 000).
- * Signorama - artwork and signs (R5 000)
- * AME Aviation - hot dogs and hamburgers (R5 000).

The Municipality distributed the following in-kind- donations and assistance during the 2016/17 financial year to date:

- # Emergency Services: Blankets, mattresses, food parcels in various townships, wards and regions.
- # Emergency Services: Waiving of fire accounts to the value of R647 007
- # Emergency Services: Assistance rendered free of charge to various events to the value of R2 065 222.

2015/16:

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

52. In-kind donations and assistance (continued)

The Municipality donated the following items during the 2015/16 financial year:

- # Emergency Services - blankets, mattresses, tents, food parcels
- # Emergency Services - assistance free of charge and waiving of accounts (estimated value = R833 891)
- # Emergency Services - free services (estimated value = R91 842)

The Municipality received the following in-kind- donations and assistance during the 2015/16 financial year:

- Corporate and Shared Services Department received the following:
 - # 1 Overnight stay accommodation at Velmore Hotel Erasmia (value R1 300 per person)
 - # 1 Rietvlei voucher for a game drive and braai (value R1 750 per person)
 - # Cash donation paid into City's account from BBJ Group (value R50 000)
 - # Sponsored trophies from Fleet Africa (12) and Sekela Xabiso (20) for the TSEA Gala event (estimated value R260 000)
 - # Technical sponsor for the TSEA Gala event from Old Mutual (value R150 000)
 - # Technical sponsor for the TSEA Gala event from Huawei (value R100 000)
 - # 39 Ipads for winners from PSMA for the TSEA Gala event (value R234 000)
 - # Sponsored beverages for guests at the TSEA Gala event from Ntiyiso Consulting (value R9 000)
 - # Sponsored beverages for guests at the TSEA Gala event from Zimele Technology (value R10 105)
 - # Bed and breakfast vouchers for TSEA Project Steering Committee from Tsogo Sun, Garden Court, Hatfield (estimated value R15 000)
 - # Bed and breakfast vouchers for TSEA Project Steering Committee from Orion-Velmore Hotel group (estimated value R26 000)
 - # 10 mail vouchers received from Communication, Marketing and Events department (value R20 000)
 - # Vodacom #G TAB from Communication, Marketing and Events department (value R2 500)
 - # Powerbank and calendar received from Geldenhuis & Malatji (value R100 and R20 respectively)
 - # Diary received from Fleet Africa (value R60)
- Human Resource Management:
 - # Tshwane Pension Fund Board of Trustees - 2 employees attended a workshop in Cape Town: Flights, accommodation and conference fees were sponsored by ABSA.
- Emergency Services:
 - # 6 boxes of veld fire, drought and thunderstorm promotional material for awareness campaigns from Department of Rural Government (estimated value = R2 500)
 - # Memory sticks and pens from the Centre for Public Service Innovation (CPSI) and winter fleece blankets from PDMS for the take a girl child to work campaign (estimated value = R3 300)

53. Operating leases

The group leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10%. The group has the option to extend the agreement for periods ranging between one month and three years.

Non-cancelable operating leases - office equipment: Municipality

None for the 2016/17 financial year.

Non-cancelable operating leases - vehicles (buses): Municipality

None for the 2016/17 financial year.

Housing Company Tshwane:

Operating lease payments represent rentals payable by the entity for its head office. The lease was negotiated for the period of 3 years commencing on 1 October 2014 to 30 September 2017, with an annual escalation of 10%. The second lease for parking bays was negotiated for the period of 28 months commencing on 1 June 2015 to 30 September 2017, with an annual escalation of 10%. The third lease for parking bays was negotiated for a period of 23 months commencing on 1 November 2015 to 30 September 2017, with an annual escalation of 10%. The fourth lease for parking bays was negotiated for the period of 20 months commencing on 1 February 2016 to 30 September 2017, with an annual escalation of 10%. These leases have no binding renewal terms. Housing Company Tshwane does not have the option to purchase the building. No contingent rent is payable. The lease payments for the year under review amounts to R577 971.

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

53. Operating leases (continued)

Operating lease payments represent rentals payable by the entity for its copier machine. The lease was negotiated for the period of 3 years ending 31 January 2017 and at the end of lease the machine reverts back to the owner Konica (Sunlyn). The lease has an escalation clause of 15% per annum. At the end of January 2017, the lease contract was extended on a month to month basis until the end of June 2017 when the bidding process was finalised on the new copier machine. The lease payments for the 12 month period amounts to R65 106. No contingent rent is payable.

TEDA:

Operating lease liability is the rental of offices used by TEDA situated at : 5th Floor, The Anker Building, 1279 Mike Crawford Road, Centurion for the period of three years starting 1 November 2016. No contingent rent is payable.

Operating lease asset emanates from sub-letting agreement with City of Tshwane which allows City of Tshwane permission to utilise the 1st floor of the rented offices used by TEDA situated at: 349 Witch-Hazel Avenue, Eco origin Building, Block F, Highveld extension 70, Centurion for the period of 27 months starting from 1 May 2014. There are no contingent rentals receivable. The contract ended on 31 October 2016.

Sandspruit Works Association:

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

Non-cancellable property leases

Payable within a year	4,630,109	5,822,249	-	-
Payable within 2 to 5 years	5,989,371	4,789,904	-	-
	10,619,480	10,612,153	-	-

54. Rental income straight lining

Gross investment in the lease due

- within one year	13,047,451	14,470,636	13,047,451	14,470,636
- in second to fifth year inclusive	34,329,935	39,607,271	34,329,935	39,607,271
- later than five years	183,959,960	191,795,785	183,959,960	191,795,785
	231,337,346	245,873,692	231,337,346	245,873,692

Restatement of 2015/16:

The total rental income was restated with an amount of R89 581 622 in 2015/16 from R335 455 314 to R245 873 692.

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
55. Contingencies				
With the implementation of the MFMA no new guarantees are issued. The liability would therefore decrease in future. The property was used as collateral in cases of default of payments. The outstanding guarantee was paid in February 2016.				
Indemnification				
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	74,114,583	72,366,413	74,114,583	72,366,413
The capitalised value as at 31 December 2016 which is calculated by the Department of Labour amounted to R74 114 583. The actual amount is guaranteed with a bank guarantee during 2016/17.				
Guarantees issued				
Guarantees issued in favour of Eskom	213,500	213,500	213,500	213,500
Insurance claims				
Pending claims iro asset-, motor own damage- contractors and electricity claims	102,872,223	65,540,408	102,872,223	65,540,408
Pending claims iro public liabilities	755,684,670	645,848,620	755,684,670	645,848,620
	858,556,893	711,389,028	858,556,893	711,389,028

Above-mentioned insurance claims originated before 30 June.

Restatement of 2015/16:

Group Legal Services restated the figures of 2015/16 due to errors picked up. The restatement occurred in the figures of 2012 (R9 960 627 decrease); 2013 (R23 524 350 decrease) and 2016 (R366 704 796 increase). The huge increase in June 2016 mainly relates to a R300 million case in respect of the closure of a park.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which, as at 30 June 2017, has a balance of R245 734.

Litigation matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable.

Amounts have not been provided in certain cases as the court has not yet determined a value - these cases are listed separately below. The claims where amounts are available are disclosed in the table below.

a. General litigation

Housing and Sustainable Human Settlement Development Department:

Case 1:

Claim for compensation by a land owner in Soshanguve. The land owner alleges that CoT allowed a squatter camp to develop on privately owned land. Owner now wants compensation arguing constructive expropriation.

Case 2:

Summons has been issued and an appearance to defend has been entered. The crux of the action is to compel the CoT to allocate land to persons listed in the summons as former residents of Lady Selbourne as mentioned in the summons. A closer look at the summons revealed that looking at the dates of birth of those people; they could never have been former residents of that area. Awaiting court date. Amount claimed cannot be estimated.

Group Financial Services:

Case 3:

Applicant claim for refund of moneys over paid for electricity. Damages claim for wrong account calculation. Consumer is alleging that because the CoT had incorrectly charged for services accounts, they are now seeking damages in the form of a refund for overpayment. Amount claimed cannot be estimated.

* See Note 47

City of Tshwane Metropolitan Municipality

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Group		Municipality	
2017	2016 Restated*	2017	2016 Restated*

55. Contingencies (continued)

Group Human Capital Management:

Case 4:

Labour dispute: City of Tshwane had an agreement with UNISA in terms of which the City of Tshwane provided busses to UNISA for transporting UNISA employees. The busses were driven by UNISA employees. UNISA in turn paid the City of Tshwane a fee. When the contract between UNISA and the City of Tshwane was terminated, the driver lodged a dispute for termination of employment. They are seeking remuneration either from UNISA or the City of Tshwane, depending on who is found to have been the employer. Value of the claim cannot be estimated at this stage.

Case 5:

Unfair labour practices: Various cases in arbitration or Labour Court stage. Amounts not quantified.

Case 6:

The applicant brought an application against the CoT and the City Manager for an order declaring that the CoT should contribute towards the monthly premium aid scheme after their retirement in terms of the applicable pension rules. Applicant wants an order declaring that the municipality has a contractual obligation to contribute towards premiums payable by retired employees towards the medical aids. The matter is being defended and the municipality is preparing for trial. Amount claimed cannot be estimated.

Case 7:

Unfair dismissal review application of an arbitration award for reinstatement and compensation. Amount claimed cannot be estimated.

Case 8:

Application to review an award granting employee a fixed travelling allowance. Amount claimed cannot be estimated.

Case 9:

Unfair dismissal application for review of an award for reinstatement and back pay. Amount claimed cannot be estimated.

Case 10:

Review of an award granting employee compensation, amounting to three months's salary. Amount claimed cannot be estimated.

Case 11:

Claim for promotion. Amount cannot be determined at this stage.

Case 12:

Unfair dismissal review application of an arbitration award for reinstatement and compensation. Amount cannot be determined at this stage.

Case 13:

Dispute regarding the compulsory deduction of leave days during festive season. MMM appointed to defend this matter. Amount cannot be determined at this stage.

Case 14:

Unfair dismissal application for review of an award for reinstatement and back pay. Amount cannot be determined at this stage.

Group Utility Services:

Case 15:

Personal injury allegedly caused by Council's negligence by leaving cables hanging and the substation's door open and as a result a young boy was electrocuted and his body sustained 90 degree burns. Claim value cannot be estimated at this stage.

Group Roads and Transport:

Case 16:

The municipality expropriated properties belonging to the claimant. Claimant is objecting to the amount offered for compensation and is now seeking a higher amount compensation.

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

55. Contingencies (continued)

Tshwane House Contingencies:

Default terminations:

The default termination comprise of the default terminations as per the service concession arrangement between City of Tshwane and Tshela Tsweu Consortium (TTC). The termination scenarios are as follows:

Scenario 1: Termination pursuant to the City of Tshwane default prior to expiry of the concession period

Termination pursuant to the City default over the life of the project given equal probabilities is R747 million.

Scenario 2: Termination for Private Party default

If at any time during the concession period the City of Tshwane terminates the PPP pursuant to a default by Tshela Tsweu Consortium (TTC), the City of Tshwane will be obliged to pay TTC a compensation amount. The expected contingent liability for Private Party default, given the equal probabilities is R540 million.

Scenario 3: Termination for Force Majeure

If the PPP agreement is terminated by the City of Tshwane or TTC as a result of a Force Majeure event, the City of Tshwane is obliged to compensate TTC a Force Majeure Termination amount. The expected contingent liability for Force Majeure default over the life of the project, given equal probabilities is R663 million.

Scenario 4: Termination for Corrupt Acts and Fraud

If the City of Tshwane terminates the PPP agreement pursuant to corrupt gifts and payments, the City of Tshwane shall be liable to pay TTC a termination amount. The expected contingent liability under Corrupt Acts default scenario over the life of the project, given equal probabilities is R613 million.

There is uncertainty as to the timing of any of the termination scenarios, therefore simulation were used to arrive at the expected contingent liability.

Municipal entities

Sandspruit Works Association

As at 30 June 2017, the case of the dismissed CEO had been referred for Arbitration at Commission for Conciliation Mediation and Arbitration (CCMA). The outcome of such a process is unknown and any possible amount that could be paid as a result is also unknown. Subsequent to a disciplinary hearing that resulted in dismissal, the former CEO has appealed the sanction in his case of which the outcome and any possible amount that could be paid is unknown.

Litigation (as at 30 June 2017)

	Short description of cases	
Group Economic Development and Spatial Planning	Expropriation: Compensation not paid	2,044,660
Housing and Sustainable Human Settlement Development	Winterveld expropriation: Claiming additional compensation	790,000
Housing and Sustainable Human Settlement Development	Expropriation: Claiming additional compensation	790,000
Housing and Sustainable Human Settlement Development	Claim for payment of occupational rent/constitutional damages as well as declaratory order	14,100,000
Housing and Sustainable Human Settlement Development	Claim for specific performance and damages. Claimant awarded tender and given letter of appointment but was not given work.	16,925,581
Housing and Sustainable Human Settlement Development	Claim for interest on amount payable for compensation of expropriation of servitude on portion 241 Wonderboom 302 JR	371,900
Housing and Sustainable Human Settlement Development	Himalya Heights: Claim for levies in respect of a sectional unit owned by CoT	11,578

* See Note 47

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
55. Contingencies (continued)				
Housing and Sustainable Human Settlement Development				10,172
Group Financial Services				80,000
Group Financial Services				71,296
Group Financial Services				33,594
Group Financial Services				2,622,000
Group Financial Services				1,657,251
Group Financial Services				5,111,360
Group Financial Services				1,097,937
Group Financial Services				20,274
Group Financial Services				45,307
Group Financial Services				288,789
Group Financial Services				265,661
Corporate and Shared Services				100,000
Corporate and Shared Services				159,705
Group Human Capital Management				796,680
Group Human Capital Management				97,734
Group Human Capital Management				42,000
Group Human Capital Management				2,500,000
Group Human Capital Management				5,464,800
Group Human Capital Management				8,000,000
Group Human Capital Management				649,017
Group Human Capital Management				327,211
Group Human Capital Management				338,848
Group Human Capital Management				1,000,000
Group Human Capital Management				67,099
Group Human Capital Management				30,000
Group Human Capital Management				850,884
Group Human Capital Management				1,000,000

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
55. Contingencies (continued)				
Group Human Capital Management				850,884
Group Shared Services				6,964,617
Group Utility Services				2,858,037
Group Utility Services				6,683,428
Group Utility Services				98,724
Group Utility Services				1,401,516
Group Utility Services				159,219
Group Utility Services				952,952
Group Utility Services				150,000
Group Utility Services				2,705,431
Group Utility Services				2,081,409
Group Utility Services				4,607,784
Group Utility Services				4,314,672
Group Utility Services				951,078
Group Utility Services				377,002
Group Utility Services				696,504
Group Roads and Transport				29,238
Group Roads and Transport				120,000
Group Roads and Transport				100,000

* See Note 47

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	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
55. Contingencies (continued)				
Group Roads and Transport				25,762,057
Group Roads and Transport				30,390,000
Group Roads and Transport				10,233,866
Group Roads and Transport				466,706
Group Roads and Transport				811,940
Group Roads and Transport				137,082
Group Roads and Transport				690,446
Group Roads and Transport				4,943,153
Group Environment and Agriculture Management				432,221
Group Environment and Agriculture Management				1,120,885
Group Environment and Agriculture Management				1,210,877
Group Environment and Agriculture Management				2,299,500
Group Environment and Agriculture Management				200,813
Group Environment and Agriculture Management				158,232
Group Environment and Agriculture Management				3,612,512
Community Safety - Metro Police				16,720,095
Community Safety - Metro Police				620,103
Community Safety - Metro Police				6,415,122
Community Safety - Metro Police				2,415,091
Community Safety - Metro Police				2,293,653
Community Safety - Metro Police				4,620,799
Community Safety - Metro Police				4,319,915
Community Safety - Metro Police				4,399,720
Community Safety - Metro Police				3,251,850
Community Safety - Metro Police				7,401,917

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
55. Contingencies (continued)				
Community Safety - Metro Police				2,288,618
Health and Social Development				64,994
Office of the Executive Mayor				4,900,000
Office of the Speaker				2,360,610
Group Property Management				51,507,439
Group Property Management				986,502
Group Property Management				16,446,218
Group Property Management				10,000,000
Group Property Management				172,794
Group Property Management				986,502
Community and Social Development				25,430,598
Tshwane Economic Development Agency (TEDA)				873,125
				354,809,788
56. Change in estimate				
Property, plant and equipment				
2016/17:				
The useful life of all asset classes was reviewed and adjusted during 2016/17 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 13 under property, plant and equipment for a discussion on the basis on which the review of useful life was done.				
The effect of changing the remaining useful life of assets for the Municipality during 2016/17 has decreased the depreciation charge for the current and future periods. The total number of assets affected was 711 515.				
TEDA:				
During 2016/17 TEDA reviewed the useful life of its assets. The computer software was reviewed, and the useful life was increased from five (5) years to six (6) years.				
Effect of change in estimates				
Other and infrastructure assets	(62,064,252)	(55,723,629)	(62,064,252)	(55,723,629)
Housing Company Tshwane: Other assets	-	(16,251)	-	-
TEDA: Other and intangible assets	24,032	73,917	-	-
	(62,040,220)	(55,665,963)	(62,064,252)	(55,723,629)

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

57. Deviation from Supply Chain Management Regulations

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 then reports them to the next meeting of the accounting officer and includes a note to the consolidated annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency;
- if such goods or services are produced or available from a single provider only;
- for the acquisition of special works of art or historical objects where specifications are difficult to complete;
- acquisition of animals for zoos and/or nature and game reserves; and
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

Deviation from tender and quotation process:

* Sole suppliers

* Emergency

* Impracticality

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 accounting officer and noted by the Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by the Council in terms of the delegations as stipulated in the Supply Chain Management Policy. They amount to approximately the following:

Deviation from tender process (amounts above R200 000)

Emergency	21,298,280	3,750,000	21,298,280	3,750,000
Sole providers	186,745,722	144,371,460	186,745,722	144,371,460
Works of art	-	2,998,880	-	2,998,880
Other exceptional cases	899,612,643	1,436,100,150	899,612,643	1,436,100,150
Housing Company Tshwane	87,111,102	-	-	-
TEDA - Contracts extended on month to month basis	2,587,694	-	-	-
Sandspruit - emergency	-	729,083	-	-
	1,197,355,441	1,587,949,573	1,107,656,645	1,587,220,490

Deviation from quotation process

Other exceptional cases	-	306,391	-	306,391
Housing Company Tshwane - emergency	158,282	69,221	-	-
Sandspruit - emergency	-	65,695	-	-
TEDA - sole provider	-	36,799	-	-
TEDA - re-appointment of service provider	142,100	-	-	-
	300,382	478,106	-	306,391

* See Note 47

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

58. Budget differences

Material differences between budget and actual amounts (municipality only)

The group deems a 10% deviation on operational revenue and expenditure versus the final budget as material. For capital expenditure the percentage deviation is 5%.

2016/17 financial year

The following revenue and expenditure line items showed a material variance for the year ending 30 June 2017 against the adjustments budget :

Other own revenue category:

- Government grants and subsidies (4.47% under) - spending of transfers and grants did not realise as indicated on the payment schedules.
- Rental of facilities and equipment (5.36% under) - this line item is based on demand from users of the facilities and equipment.
- Interest on external investments (139.46% over) - increase in interest earned due to increase in investments held (sinking fund)
- Interest on outstanding debtors (40.15% over) - over recovery is due to an increase in levying of interest on long overdue accounts.
- Fines (40.05% under) - this is due to invalid fines and non-payment.
- Public contributions (11.20% over) - over-recovery is due to more contributions in terms of township establishment and rezoning applications than anticipated.
- Other revenue 16.000% over) - over-recovery is mostly due to accounting for newly identified assets.
- Licenses and permits (3.32% under) - under-recovery is due to the number of licenses renewed and permit applications not realising as anticipated.

Expenditure category:

- Debt impairment (26.31% under) - under expenditure is due to adequacy testing at year end and change in calculation method at year end.
- Transfers and grants (71.19% over) - this is due to higher payments to municipal entities - mostly Sandspruit..
- Depreciation (3.65% over) - this is due to the purification of the asset register and review of useful lives at year end as well as new leases.
- Other expenditure (16.46% under) - due to the fact that not all of the expenses budgeted realised as anticipated.
- Contracted services (3.96% over) - due to contract servicest realising higher than planned.
- Other materials (9.67% under) - due to expenditure which did not realise as anticipated.

Capital expenditure:

- The capital expenditure shows a 70.0% spending level against the total budget for the period ending 30 June 2017 as various capital projects did not start or the expenditure on the work was slow.

Changes from the approved budget to the final budget (municipality only)

The mid-year budget review report approved by the Council on 23 February 2017 indicated the necessity for an adjustments budget for the 2016/17 financial year for, inter alia, the following:

- The City ended the 2015/16 financial year with an operating deficit of about R2 billion, which means that the City had a funding compliance gap (MFMA Circular 42) of approximately R2 billion which must be addressed within the 2016/17 adjustments budget.
- Based on the mid-term results, it is clear that the City will not achieve its budgeted revenue targets due to various factors, such as under-billing, decline in electricity sales, reduction in water revenue due to water restrictions, increased distribution losses, etc; and
- Ensuring that provision for all non-cash items, such as depreciation and provision for leave, is adequate.
- To facilitate the inclusion of rolled over/transfer grant funding.

The Council approved the 2016/17 Original Revenue Budget to the amount of R31.948 billion which was decreased with R0.327 billion to R31.621 billion (decrease of 1.02%). Furthermore, the total expenditure of R27.648 billion was increased with an amount of R426.426 million to R28.073 billion (increase of 1.5%). As a result the budgeted surplus of R4.301 billion was decreased to R3.548 billion, indicating that contractual obligations compromised the downscaling of expenditure.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
59. Distribution losses: Water				
Non-revenue water (NRW) - kilolitre				
Technical	53,207,780	59,659,954	53,207,780	59,659,954
Non-technical	13,301,945	14,914,989	13,301,945	14,914,989
Sandspruit: Technical	1,557,032	2,415,267	-	-
Sandspruit: Non-technical	5,410,174	3,622,900	-	-
	73,476,931	80,613,110	66,509,725	74,574,943
Non-revenue water (NRW) - Rand value				
Technical	402,436,719	403,250,852	402,436,719	403,250,852
Non-technical	100,609,180	100,812,713	100,609,180	100,812,713
Sandspruit: Technical	13,063,498	18,090,349	-	-
Sandspruit: Non-technical	45,391,360	27,135,524	-	-
	561,500,757	549,289,438	503,045,899	504,063,565

Water is supplied to Tshwane from Rand Water and the City's own water sources. Monthly meter readings of the supply are used to monitor the total gross supply. Monthly meter readings of water exported to the neighbouring municipalities are used to calculate the net water input into the city.

Water-loss management is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management strategies. The primary outcome of these strategies is to reduce-

- * technical losses (where not all water supplied reached the consumer) and
- * financial losses (where not all water reaching the consumer is paid for).

These losses are caused by-

- real losses (physical loss of water from the system); and
- apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption - this is water consumed but not properly measured, accounted and paid for).

From the above, water loss in the city is determined by calculating the amount of non-revenue water (NRW), which is the difference between the volume of water supplied into the system and the authorised consumption.

Activities undertaken by the Water and Sanitation Division involve the continuous investigation of various factors leading to water loss and the implementation of various initiatives to assist with the reduction of non-revenue water. These investigations with subsequent mini projects are often cross-region initiatives where work performed in one region directly affects other regions. The initiatives include the following:

- * Network analysis of existing systems
- * Monitoring and logging of pressures and flows
- * Engineering investigations in problematic areas
- * Pressure management - installation and setting of PRVs and/or PRV controllers
- * Domestic and commercial meter audits and meter replacements
- * Active leak detection by locating water leaks using various methods and equipment
- * Continuous meter audits

At the end of June 2016 the NRW in the city was calculated at 74 574 943 kl (23,53% of the total input into the system). This indicates a deterioration of NRW in the city when compared to June 2015 when the NRW was 58 251 245 kl (18,94% of the total input into the system). The losses in R-value amount to R504,1 million (2015 = R349,8 million). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R6,76 for 2015/16 and R6,00 for 2014/15 respectively.

For the 2016/17 financial year the NRW in the city was calculated at 66 509 725 kl (23,66% of the total input into the system). This indicates an improvement of NRW in the city when compared to June 2016 where the NRW was 74 574 943 kl (23,53% of the total input into the system). The losses in R-value amounts to R503 045 898. The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R7.563494 for 2016/17.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
60. Distribution losses: Electricity				
Distribution loss: kWh				
Technical	692,388,294	680,678,967	692,388,294	680,678,967
Non-technical	1,343,233,290	1,194,105,387	1,343,233,290	1,194,105,387
	2,035,621,584	1,874,784,354	2,035,621,584	1,874,784,354
Distribution loss: Rand value				
Technical	536,739,405	489,203,973	536,739,405	489,203,973
Non-technical	1,041,274,447	858,203,542	1,041,274,447	858,203,542
	1,578,013,852	1,347,407,515	1,578,013,852	1,347,407,515

2016/17:

The electricity distribution loss for the 2016/17 financial year is calculated at 2 035 621 584 kWh (20.58 % of the total electricity bulk purchases) The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

The electricity distribution loss for the 2015/16 financial year is calculated at 1 874 784 354 kWh (19,28% of the total electricity bulk purchases). The annual electricity distribution losses are made up of technical and non-technical losses, which are the difference between electricity purchased and electricity sold.

Non-technical losses

Non-technical losses are, amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections that form part of illegal consumption, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses.

For the 2015/16 financial year the value of non-technical losses amounts to R858,204 million or 1 194 105 387 kWh based on the cost per unit purchased, namely 71,87 c/kWh.

For the 2016/17 financial year the value of non-technical losses amounts to R1 041.3 million or 1 343 233 290 kWh based on the cost per unit purchased, namely 62,91 c/kWh.

The City of Tshwane's Services Infrastructure Department is currently busy with the following initiatives to reduce the non-technical losses:

- Installation of non-intrusive meter boxes
- Auditing of metering installation
- Installation of smart meters
- Regular illegal cable removal operations

Technical losses

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer, and the wires (copper or aluminium) being used to distribute electricity which resist the throughput of current. As a result there is a certain portion of electricity that is lost due to distribution. The NERSA acceptable figure for a network like that of the City of Tshwane is estimated to be 7%.

For the 2016/17 financial year the value of technical loss amounts to R536 739 405 or 692 388 294 kWh based on the cost per unit purchased namely 77.52 c/kWh.

For the 2015/16 financial year the value of technical loss amounts to R489,204 million or 680 678 967 kWh based on the cost per unit purchased, namely 71,87 c/kWh.

The City of Tshwane's Services Infrastructure Department is further also busy addressing the technical losses by-

- refurbishing and replacing old equipment in the network and
- strengthening overhead lines.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
61. Deferred tax				
Deferred tax liability				
Property, plant and equipment	(459,853)	(521,562)	-	-
Unutilised tax loss	-	37,256	-	-
Provision for leave	400,313	368,040	-	-
Provision for doubtful debt	3,802	5,069	-	-
Unspent grant	1,199,010	1,127,848	-	-
Section 24C allowance	(1,199,010)	(1,127,848)	-	-
Straight lining of operating lease	44,375	46,422	-	-
Pre-payment	(2,682)	(1,680)	-	-
Total deferred tax asset	(14,045)	(66,455)	-	-
Reconciliation of deferred tax asset/(liability)				
At beginning of year	(66,455)	(48,511)	-	-
Increase/(decrease in tax loss available for set off against future taxable income - gross of valuation allowance	(37,256)	37,256	-	-
Movement on property, equipment and intangible fixed assets	61,710	18,419	-	-
Movement in provision for doubtful debt	(1,267)	10,581	-	-
Movement in provision for leave pay	32,272	(371)	-	-
Movement on unspent grant	71,162	(520,308)	-	-
Section 24C allowance	(71,162)	520,308	-	-
Operating lease straight lining	(2,047)	(83,953)	-	-
Pre-payment	(1,002)	124	-	-
	(14,045)	(66,455)	-	-
62. Taxation				
Major components of the tax expense				
Current				
Normal tax - current year	758,508	17,944	-	-
Taxation liability movement				
Opening balance	(1,176,843)	1,004,778	-	-
Current year	810,919	-	-	-
Provisional tax (paid)/interest charged	(492,225)	(1,003,548)	-	-
Normal income tax paid - prior year	-	(1,178,073)	-	-
Closing balance	(858,149)	(1,176,843)	-	-
Reconciliation of the tax expense				
Tax in note @ 28%	758,508	17,944	-	-
Profit before tax	2,708,959	(360,187)	-	-
Tax as % of income before tax	28.00	28.00 %	-	-
Reconciliation between applicable tax rate and average effective tax rate				
Tax effect on permanent differences	28.00 %	28.00 %	-	-
Tax effect on non-deductible expenses	- %	(32.98)%	-	-
	28.00 %	(4.98)%	-	-

TEDA has made a provisional tax payment of R492 224 as at 30 June 2017 for the 2016/17 financial year.

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
63. Deferred operating lease liability				
Current assets	-	49,216	-	-
Non-current liabilities	523,647	135,976	-	-
Current liabilities	(25,248)	(397,231)	-	-
	<u>498,399</u>	<u>(212,039)</u>	-	-

There were no operating lease liabilities for the Municipality at the end of 30 June 2017.

64. Service concession arrangements

Tshwane House:

The City of Tshwane Metropolitan Municipality has entered into a service concession agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years would be to construct the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building would pass to the City of Tshwane. City of Tshwane will pay the Consortium a fixed unitary fee for the construction and operation of the asset for the 27 year period. The first fee would begin on the completion of the first block of the building. This unitary payment would escalate with inflation each year.

Construction started 1 April 2015 and as at 30 June 2016 the building is approximately 65% complete. In terms of the Guideline on Accounting for Public Private Partnerships the fair value of the building should be recognised on a percentage of completion during construction. The capex quoted in the final close-out report is R1 034 240 000. The value of the asset and liability as at 30 June 2016 amounted to R672 256 650.

For the 2016/17 financial statements the building was 100% complete and occupation took place in June 2017. The value of the asset and liability as at 30 June 2017 amounted to R1 123 634 344 and R1 034 240 000 respectively.

Tshwane Broadband Network:

The City of Tshwane Metropolitan Municipality has entered into a Build Operate and Transfer agreement with Newsshelf 1327 Pty Ltd (in the process of being renamed as Thobela Telecoms (RF) Pty Ltd), to finance, construct and operate a municipal broadband network. This agreement will be subject to review once every three (3) years. The service provider is appointed to build the Network and to provide the operate services, additional services and maintenance services to City of Tshwane.

The private party will obtain project finance for the Build phase of the network and once the minimum threshold is achieved then the municipality shall make payment to the private party on the basis set out in the agreement. From the effective date until the acceptance date of the last section of the Network Built ("First phase") the municipality commits to pay a monthly amount to the service provider as calculated in the formula set out in clause 37.2 (the "Build Payment Formula"). This payment will only start once the minimum threshold is achieved.

The service concession liability in respect of Tshwane House is indicated below:

Minimum future payments

No later than one year	257,466,033	-	257,466,033	-
Later than one year but not later than 5 years	1,520,443,466	-	1,520,443,466	-
Later than 5 years	11,446,665,504	-	11,446,665,504	-
Less: Future finance charges on finance lease	(10,674,939,097)	-	(10,674,939,097)	-
Less: Future service cost on finance lease	(1,507,090,136)	-	(1,507,090,136)	-
Present value of finance lease liability	<u>1,042,545,770</u>	-	<u>1,042,545,770</u>	-
Present value of service concession liability				
No later than one year	(57,645,018)	-	(57,645,018)	-
Later than one year but not later than 5 years	(330,666,387)	-	(330,666,387)	-
Later than 5 years	1,430,857,175	-	1,430,857,175	-
	<u>1,042,545,770</u>	-	<u>1,042,545,770</u>	-

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
64. Service concession arrangements (continued)				
Fair value of liability (amortised cost i.e. present value)	1,042,545,770	-	1,042,545,770	-
Collateral held on the above service concession (Net book value of assets) (Refer to note 13 - Tshwane House)	1,123,634,344	-	1,123,634,344	-
65. Impairment of assets				
Impairments				
Property, plant and equipment (refer to note 13)	2,714,186	362,767	2,714,186	362,767
Intangible assets (refer to note 15)	12,664	-	12,664	-
	2,726,850	362,767	2,726,850	362,767
2016/17: Assets were impaired according to specific indicators such as its physical condition. The main class of assets affected by impairment losses is movable assets. For the 2016/17 year included in the impairment figure is also impairment on assets under construction (AUC).				
66. Contracted services (refer to Note 72)				
Consultant fees	72,075,647	115,907,676	56,611,859	105,428,543
Service fee (smart prepaid)	701,971,496	639,377,289	701,971,497	639,377,289
Professional services	122,991,433	148,853,590	122,119,635	148,292,459
IT services	91,444,647	92,253,534	91,444,647	92,253,534
Labour services	388,336,949	510,498,473	376,954,507	501,269,919
Housing services	108,153,052	158,950,470	108,153,052	158,950,470
Electricity services and network	291,958,474	435,710,145	291,958,474	435,710,145
Household refuse removal	429,853,365	427,695,516	429,853,365	427,695,516
Transport and roads	149,664,471	94,486,833	149,664,471	94,486,833
Cleaning services	17,820,187	20,399,496	17,820,187	20,399,496
Rudimentary services	120,020,137	72,249,368	120,020,137	72,249,368
Sewerage networks	58,478,010	64,157,784	58,478,010	64,157,784
Restrictions: credit control	20,606,255	25,205,421	20,606,255	25,205,421
Water network services	119,255,897	140,599,071	119,255,897	140,599,071
Traffic control	27,431,572	31,836,829	27,431,572	31,836,829
Other	113,315,959	267,857,370	87,081,194	222,798,859
	2,833,377,551	3,246,038,865	2,779,424,759	3,180,711,536
Refer to expenditure per National Treasury classification - note 72.				
67. Repair and maintenance				
Contracted services	629,601,873	793,903,302	629,601,873	793,903,302
General expense	426,479,015	631,713,835	426,479,015	631,713,835
Other materials	5,385,479	2,881,840	5,385,479	2,881,840
Housing Company: General expense	5,637	55,006	-	-
Sandspruit: General expense	3,204,122	4,090,034	-	-
	1,064,676,126	1,432,644,017	1,061,466,367	1,428,498,977
68. Fair value adjustments				
Game and livestock	2,214,710	2,313,772	2,214,710	2,313,772
Interest rate swaps	(21,070,051)	(147,680,123)	(21,070,051)	(147,680,123)
	(18,855,341)	(145,366,351)	(18,855,341)	(145,366,351)

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

69. Going concern

We draw attention to the fact that at Group 30 June 2017, the Municipality had an accumulated surplus of R22 401 169 777 and that the Municipality's total assets exceed its liabilities by R22 631 972 745. The difference consists of the Housing Development Fund, Self-insurance Reserve and COID Reserve to a total of R230 802 971.

We draw attention to the fact that at Group 30 June 2017, the Group had an accumulated surplus of R22 471 990 870 and that the group's total assets exceed its liabilities by R22,702,793,838. The difference consists of the Housing Development Fund, Self-insurance Reserve and COID Reserve to a total of R230 802 968.

The consolidated 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 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 monitor and manage the expenditure levels and cash flow projections. Strict credit control measures and the management of the payment levels of debtors are also factors that must be closely monitored and managed. The liquidity and solvability ratios are also strictly monitored and managed.

Liquidity and solvability ratios

Current ration (current assets vs current liabilities)	0.85 : 1	0.69 : 1
Acid test ratio (current assets less inventory vs current liabilities)	0.78 : 1	0.63 : 1
Solvability ratio (total assets vs total liabilities)	1.88 : 1	1.83 : 1
Gearing ratio (total long-term debt to total revenue less grants) (%)	52.75	53.48
Debtor collection rate (%)	90.42	93.06
Cash/cost coverage ratio (months)	0.89	0.51
Liquidity ratio (cash and cash equivalents vs current liabilities)	0.21	0.13
Net debtor days	79 days	66 days

The current ratio and cost coverage ratios indicates that the City is still under severe pressure from a liquidity point of view. These ratios to be considered normal, represent a shortfall of approximately R8 billion in current assets of which R4 billion should be in the form of unencumbered cash and cash equivalents. The non-achievement of the 95% debtor collection rate also impacts on the available cash flow. Based on these, the City committed to drafting a financial turnaround plan during the compilation of the 2017/18 MTREF budget process. The development of such a strategy and plan is in the stages of finalisation and is expected to serve in Council in the meeting of January 2018 with the Annual Report for incorporation into the 2017/18 adjustment budget process and the 2018/19 MTREF.

70. Actual operating expenditure versus budgeted operating expenditure

For additional information on the comparison of actual operating expenditure versus budgeted expenditure, please refer to Appendix C, D and E.

71. Actual capital expenditure versus budgeted capital expenditure

For additional information on the comparison of actual capital expenditure versus budgeted expenditure, please refer to Appendix F.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*
72. Expenditure by National Treasury classification				
Expenditure type				
Employee-related cost	8,035,152,135	7,530,004,364	7,895,827,022	7,397,808,866
Remuneration of councillors	118,003,200	112,443,327	118,003,200	112,443,327
Debt impairment	889,758,964	445,769,413	742,783,761	293,312,650
Depreciation and amortisation	1,543,503,776	1,417,138,078	1,541,771,772	1,415,792,566
Finance charges	1,336,036,957	1,137,968,467	1,335,165,611	1,136,966,921
Bulk purchases	9,401,923,357	8,728,503,199	9,582,375,815	8,808,848,636
Other materials	235,342,525	222,153,532	235,342,525	227,064,298
Contracted services (refer to Note 66)	2,833,377,551	3,246,038,865	2,779,424,758	3,180,711,536
Transfers and grants	-	-	442,640,350	347,060,760
Other expenditure	2,897,813,956	3,916,959,337	2,809,388,905	3,885,366,662
Loss on disposal of property, plant and equipment	69,638,302	103,544,981	70,107,169	103,417,675
	27,360,550,723	26,860,523,563	27,552,830,888	26,908,793,897
Total expenditure per statement of financial performance	27,360,550,723	26,860,523,563	27,552,830,888	26,908,793,897

73. Public private partnerships (PPP)

Fleet vehicles and fleet related services

The City of Tshwane Metropolitan Municipality has entered into a PPP agreement with Moipone Group of Companies (Pty) Ltd for the supply of category A fleet vehicles and fleet-related services. The agreement is for a period of 5 years, from the service commencement date, where after it will automatically terminate; The City may extend the agreement on written notice which shall be given at least 90 days prior to the expiry of the termination date.

During the life of this agreement the City will make unitary payments to the private party in accordance with the provisions of the payment mechanism. The unitary payment will be the amount payable with respect to the leased vehicles, monthly in arrears.

Tshwane House

The City of Tshwane Metropolitan Municipality has entered into a PPP agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years would be to construct the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building would pass to the City of Tshwane.

City of Tshwane will pay the Consortium a fixed unitary fee for the construction and operation of the asset for the 27 year period. The first fee started on the completion of the first block of the building. This unitary payment would escalate with inflation each year.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

74. Interest-rate swaps

The Municipality holds derivative financial instruments to hedge its interest rate risk exposures. The Municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige the Municipality to pay interest at variable rates/fixed rates on the same amounts. The interest rate swap allows the Municipality to raise long-term borrowings at variable rates/fixed rates and effectively swap them into fixed rates/floating rates in terms of the structured finance contractual requirements. The interest-rate swaps are initially measured at fair value on the contract/trade date; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, the interest rate swaps are measured at fair value at each reporting date.

During 2014/15 the Municipality entered into interest rate swaps with the following role players:

Regiments:

Trade date: 1 September 2014 and Settlement date: 1 March 2023

Nominal amount: R641 000 000

Fixed rate: 9,75% and variable rate: Jibar + 2,55 basis points

Payable: Semi-annual

Regiments:

Trade date: 30 June 2014 and Settlement date: 30 June 2034

Nominal amount: R1 600 000 000

Fixed rate: 11,0% and variable rate: Jibar + 2,50 basis points

Payable: Semi-annual

Regiments:

Trade date: 18 August 2015 (effective date 29 June 2015) and Settlement date: 29 June 2035

Nominal amount: R1 500 000 000

Fixed rate: 11,48% and variable rate: Jibar + 2,4 basis points

Payable: Semi-annual

Nedbank:

Trade date: 1 April 2014 and Settlement date: 30 June 2026

Nominal amount: R943 766 167

Fixed rate: 9,31% and variable rate: Jibar + 2,22 basis points

Payable: Semi-annual

Fair values of financial assets measured or disclosed at fair value

Class 1: Interest-rate swaps

The method to determine the fair value of the interest rate swaps is the discounted cash flow method. Various parameters are used to value the swaps, eg start date, end date, payment dates in between, fixed rate, floating rate spread, payment frequency, yield curve, etc. Cash flows are discounted using the zero curve.

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair-value hierarchy that reflects the significance of the inputs used to make the measurement. The fair-value hierarchy has the following levels:

Level 1: Represents those assets that are measured using unadjusted quoted prices in active markets for identical assets.

Level 2: Applies inputs other than quoted prices that are observable for the assets, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: Applies inputs that are not based on observable market data.

The City of Tshwane classifies its interest-rate swaps as level 2, and no transfers were made between the different levels of hierarchy in the year under review. None of the financial assets that are fully performing have been renegotiated in the last year.

Nominal value of financial assets at fair value

The nominal value of the existing interest rate swaps is R5 575 078 615 as at 30 June 2017.

* See Note 47

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended Group 30 June 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2017	2016 Restated*	2017	2016 Restated*

The nominal value of the existing interest rate swaps is R5 424 547 164 as at 30 June 2016.

Interest paid on the interest-rate swaps to the amount of R29 714 7227 was recognised in surplus or deficit during 2016/17 as part of finance costs - refer to Note 33 .

Interest paid on the interest-rate swaps to the amount of R59 740 597 was recognised in surplus or deficit during 2015/16 as part of finance costs - refer to Note 33 .

The fair value of interest rate swaps for the period under review is as follows:

Interest rate swap - amounts (in total)

Interest rate swap asset	18,743,157	43,936,952	18,743,157	43,936,952
Interest rate swap liability	(142,995,983)	(147,119,727)	(142,995,983)	(147,119,727)
	<u>(124,252,826)</u>	<u>(103,182,775)</u>	<u>(124,252,826)</u>	<u>(103,182,775)</u>

* See Note 47

Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2017

Interest rate (%)	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written-off during the period	Amortised value	Balance at 30 June 2017	Carrying value of property, plant & equipment
		Rand	Rand	Rand	Rand	Rand	Rand
TERM LOANS							
DBSA: Bullet portion	13.50	2018.04.30	51,682,877	-	-	51,682,877	61,010,041
DBSA: Floating rate	Variable	2019.10.31	78,331,528	-	-	78,331,528	92,467,952
Housing Company: National Housing Finance Corporation	14.00	2011.10.31	2,173,096	-	315,592	1,857,504	1,857,504
TEDA			1,000	-	-	1,000	-
DBSA: Bullet repayment loan	Jibar +2.5 margin	2034.06.30	1,600,000,000	-	-	1,600,000,000	1,888,750,627
DBSA: Bullet repayment loan	Jibar + 2.5 margin	2035.06.30	1,500,000,000	-	-	1,500,000,000	1,770,703,713
Nedbank: Bullet repayment loan	11.44%	2026.06.24	1,200,376,110	-	(376,110)	1,200,000,000	1,416,562,970
			4,432,564,611	-	315,592	(376,110)	4,431,872,909
							5,231,352,807
ANNUITY LOANS:							
DBSA	13.5	2018.04.30	89,268,375	-	31,218,937	(1,050,752)	56,998,686
DBSA (Restructuring)	10.97	2018.12.31	82,005,387	-	30,202,226	-	51,803,161
INCA	11.03	2019.06.30	6,929,546	-	2,066,750	-	4,862,796
INCA	9.52	2020.03.31	93,999,871	-	19,859,347	(452,588)	73,687,936
INCA	11.01	2020.06.30	21,807,413	-	4,609,268	-	17,198,145
DBSA	9.36	2020.12.31	124,279,961	-	23,374,687	-	100,905,274
INCA	10.92	2020.12.31	47,702,096	-	8,722,424	-	38,979,672
INCA	10.81	2021.06.30	41,258,358	-	6,612,202	-	34,646,156
DBSA	5.0	2021.12.31	41,632,549	-	7,524,537	-	34,108,012
DBSA	9.84	2021.12.31	197,482,196	-	32,292,533	-	165,189,663
Ivuzi	8.74	2021.12.31	103,863,447	-	15,434,071	-	88,429,376
DBSA	6.25	2028.06.30	73,569,020	-	4,273,350	-	69,295,670
DBSA	12.81	2028.06.30	168,937,757	-	6,515,045	-	162,422,712
DBSA	11.32	2028.06.30	168,013,243	-	6,608,484	-	161,404,759
ABSA Roodeplaat Temba	12.5	2021.03.31	135,788,674	-	20,198,350	(646,590)	114,943,734
DBSA Roodeplaat Temba	11.99	2021.03.31	69,478,929	-	10,474,166	(316,145)	58,688,618
Nedbank Roodeplaat Temba	12.51	2021.03.31	93,341,438	-	13,886,382	(469,584)	78,985,472
DBSA TIP	6.75	2029.06.30	118,009,576	-	5,911,685	-	112,097,891
Nedbank	9.27	2020.05.18	182,163,079	-	38,950,824	-	143,212,255
Nedbank	9.32	2020.06.16	181,256,744	-	38,796,231	-	142,460,513
Standard Bank	7.72	2026.06.30	784,656,277	-	54,096,057	(14,009)	730,546,211
DBSA	5.00	2016.08.31	37,926	-	37,926	-	-
ABSA Roodeplaat Temba	Jibar	30.06.2027	-	1,000,000,000	-	2,459,589	1,002,459,589
Nedbank	Jibar	2029.06.29	520,434,669	-	51,794,262	(1,774,802)	466,865,605
Nedbank	Jibar	2025.12.01	294,341,778	-	28,981,899	(1,024,134)	264,335,745
iVuzi (Firststrand bank)	Jibar	2022.06.30	315,789,474	-	52,631,579	-	263,157,895
iVuzi (Firststrand bank)	Jibar	2027.12.01	379,310,344	-	34,482,759	-	344,827,585
			4,335,358,127	1,000,000,000	549,555,981	(3,289,015)	4,782,513,131
							5,645,609,169

Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2017

Interest rate (%)	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written-off during the period	Amortised value	Balance at 30 June 2017	Carrying value of property, plant & equipment	
		Rand	Rand	Rand	Rand	Rand	Rand	
MUNICIPAL BONDS								
CoT1: Standard Bank	10.20	2023.04.02	573,614,904	-	-	312,986	573,927,890	677,504,164
CoT2: Standard Bank	9.11	2023.04.02	848,022,825	-	-	414,317	848,437,142	1,001,553,865
CoT3: Standard Bank	9.46	2028.06.05	754,665,205	-	-	388,768	755,053,973	891,317,915
			2,176,302,934	-	-	1,116,071	2,177,419,005	2,570,375,944
			10,944,225,672	1,000,000,000	549,871,573	(2,549,054)	11,391,805,045	13,447,337,920
FINANCE LEASES								
Super Group	Variable *		-	30,081,044	2,496,761	1,215,705	28,799,988	28,532,887
Talis Fleetmatics	Variable *		-	212,118,533	33,958,708	20,904,630	199,064,455	192,316,977
Moipone	Variable *		-	197,294,248	28,665,711	17,518,703	186,147,240	181,573,837
MAN	Variable *		144,052,727	-	127,619,009	12,443,063	28,876,781	222,540,634
			144,052,727	439,493,825	192,740,189	52,082,101	442,888,464	624,964,335

City of Tshwane Metropolitan Municipality
Appendix B (supplementary unaudited information)

Analysis of property, plant and equipment as at 30 June 2017 (Municipality only)

Cost Accumulated depreciation

	Cost					Accumulated depreciation						Carrying value	
	Opening balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing balance	Opening balance	Additions	Impairment	Disposals	Transfers		Closing balance
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Infrastructure													
Assets under construction	6,838,916,391	2,503,322,963	-	(975,177,890)	(9,219)	8,367,052,245	(123,216,100)	-	-	-	-	(123,216,100)	8,243,836,145
Electricity	6,292,246,964	78,174,300	(17,208,916)	238,601,962	(2,055,805)	6,589,758,505	(1,815,375,212)	(250,793,369)	-	8,786,041	676,361	(2,056,706,179)	4,533,052,326
General	428,477,382	-	(1,640,639)	54,070,339	(37,463,843)	443,443,239	(214,076,326)	(48,850,411)	-	1,640,143	33,378,121	(227,908,473)	215,534,766
Roads	10,464,467,288	128,294,100	(53,595)	641,128,707	13,805,308	11,247,641,808	(2,919,436,941)	(407,942,361)	-	-	46,245	(3,327,333,057)	7,920,308,751
Water and sanitation	7,992,903,992	200,530,856	(67,489,662)	32,457,019	54,160	8,158,456,365	(2,068,418,276)	(242,795,809)	-	14,404,435	-	(2,296,809,650)	5,861,646,715
	32,017,012,017	2,910,322,219	(86,392,812)	(8,919,863)	(25,669,399)	34,806,352,162	(7,140,522,855)	(950,381,950)	-	24,830,619	34,100,727	(8,031,973,459)	26,774,378,703
Community assets													
General	3,705,226,287	36,048,876	(15,161,192)	45,123,489	1,954,752	3,773,192,212	(1,056,255,558)	(147,551,536)	(83,553)	12,835,383	(2,236,560)	(1,193,291,824)	2,579,900,388
Assets under construction	226,888,035	94,005,673	(2,066,338)	(45,060,009)	-	273,767,361	-	-	-	-	-	-	273,767,361
	3,932,114,322	130,054,549	(17,227,530)	63,480	1,954,752	4,046,959,573	(1,056,255,558)	(147,551,536)	(83,553)	12,835,383	(2,236,560)	(1,193,291,824)	2,853,667,749
Housing													
Housing assets	681,776,125	601,500	(70,000)	188,535,600	(10,306,150)	860,537,075	(104,159,174)	(13,300,663)	-	(222,741)	-	(117,682,578)	742,854,497
Assets under construction	517,541,235	30,970,000	-	(188,535,600)	-	359,975,635	-	-	-	-	-	-	359,975,635
	1,199,317,360	31,571,500	(70,000)	-	(10,306,150)	1,220,512,710	(104,159,174)	(13,300,663)	-	(222,741)	-	(117,682,578)	1,102,830,132
Biological assets													
Game (livestock)	16,792,560	-	-	-	2,214,710	19,007,270	-	-	-	-	-	-	19,007,270
	16,792,560	-	-	-	2,214,710	19,007,270	-	-	-	-	-	-	19,007,270
Land													
Land	269,793,080	10,597,676	(27,291)	-	(6,762,553)	273,600,912	-	-	-	-	-	-	273,600,912
	269,793,080	10,597,676	(27,291)	-	(6,762,553)	273,600,912	-	-	-	-	-	-	273,600,912
Buildings													
Buildings	965,728,895	23,111,214	(645,500)	-	3,132,928	991,327,537	(567,391,932)	(31,306,802)	-	352,258	1,270,568	(597,075,908)	394,251,629
Buildings: AUC	733,365,230	-	-	-	(733,365,230)	-	-	-	-	-	-	-	-
Tshwane House	-	361,983,350	-	34,563,052	733,365,230	1,129,911,632	-	(6,277,287)	-	-	-	(6,277,287)	1,123,634,345
	1,699,094,125	385,094,564	(645,500)	34,563,052	3,132,928	2,121,239,169	(567,391,932)	(37,584,089)	-	352,258	1,270,568	(603,353,195)	1,517,885,974

City of Tshwane Metropolitan Municipality
Appendix B (supplementary unaudited information)

Analysis of property, plant and equipment as at 30 June 2017 (Municipality only)

Cost Accumulated depreciation

	Cost					Accumulated depreciation							Carrying value
	Opening balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing balance	Opening balance	Additions	Impairment	Disposals	Transfers	Closing balance	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Other													
General	2,079,677,533	196,288,234	(15,164,550)	4,809,017	37,650,424	2,303,260,658	(1,283,805,072)	(193,877,263)	(2,630,632)	12,430,959	(32,911,994)	(1,500,794,002)	802,466,656
Rehabilitation assets	529,954,003	46,596,684	-	-	-	576,550,687	(233,711,673)	(84,245,342)	-	-	-	(317,957,015)	258,593,672
Assets under construction	275,051,813	227,858,711	(9,000)	(44,616,703)	-	458,284,821	-	-	-	-	-	-	458,284,821
	2,884,683,349	470,743,629	(15,173,550)	(39,807,686)	37,650,424	3,338,096,166	(1,517,516,745)	(278,122,605)	(2,630,632)	12,430,959	(32,911,994)	(1,818,751,017)	1,519,345,149
Total property plant and equipment													
	42,018,806,813	3,938,384,137	(119,536,683)	(14,101,017)	2,214,712	45,825,767,962	(10,385,846,264)	1,426,940,843	(2,714,185)	50,226,478	222,741	(11,765,052,073)	34,060,715,889
Heritage assets													
General	3,629,880,497	18,613,965	-	-	-	3,648,494,462	-	-	-	-	-	-	3,648,494,462
	3,629,880,497	18,613,965	-	-	-	3,648,494,462	-	-	-	-	-	-	3,648,494,462
Investment properties													
Property capitalised: Parent	957,018,150	3,100,001	(165,560)	397,900	1	960,350,492	(184,807,481)	(3,597,149)	-	-	-	(188,404,630)	771,945,862
Assets under construction: Parent	397,900	1,154,596	-	(397,900)	-	1,154,596	-	-	-	-	-	-	1,154,596
	957,416,050	4,254,597	(165,560)	-	1	961,505,088	(184,807,481)	(3,597,149)	-	-	-	(188,404,630)	773,100,458
Intangible assets													
Computer software	367,238,593	21,498,414	-	12,486,542	-	401,223,549	(158,491,639)	(55,769,377)	(12,664)	-	-	(214,273,680)	186,949,869
Servitudes	199,165,590	811,938	-	1,614,477	-	201,592,005	-	-	-	-	-	-	201,592,005
	566,404,183	22,310,352	-	14,101,019	-	602,815,554	(158,491,639)	(55,769,377)	(12,664)	-	-	(214,273,680)	388,541,874
Total													
Land	269,793,080	10,597,676	(27,291)	-	(6,762,553)	273,600,912	-	-	-	-	-	-	273,600,912
Infrastructure	32,017,012,017	2,910,322,219	(86,392,812)	(8,919,863)	(25,669,399)	34,806,352,162	(7,140,522,855)	(950,381,950)	-	24,830,619	34,100,727	(8,031,973,459)	26,774,378,703
Community assets	3,932,114,322	130,054,549	(17,227,530)	63,480	1,954,752	4,046,959,573	(1,056,255,558)	(147,551,536)	(83,553)	12,835,383	(2,236,560)	(1,193,291,824)	2,853,667,749
Housing	1,199,317,360	31,571,500	(70,000)	-	(10,306,150)	1,220,512,710	(104,159,174)	(13,300,663)	-	(222,741)	-	(117,682,578)	1,102,830,132
Other	2,884,683,349	470,743,629	(15,173,550)	(39,807,686)	37,650,424	3,338,096,166	(1,517,516,745)	(278,122,605)	(2,630,632)	12,430,959	(32,911,994)	(1,818,751,017)	1,519,345,149
Heritage assets	3,629,880,497	18,613,965	-	-	-	3,648,494,462	-	-	-	-	-	-	3,648,494,462
Intangible assets	566,404,183	22,310,352	-	14,101,019	-	602,815,554	(158,491,639)	(55,769,377)	(12,664)	-	-	(214,273,680)	388,541,874
Investment properties	957,416,050	4,254,597	(165,560)	-	1	961,505,088	(184,807,481)	(3,597,149)	-	-	-	(188,404,630)	773,100,458
Buildings	1,699,094,125	385,094,564	(645,500)	34,563,052	3,132,928	2,121,239,169	(567,391,932)	(37,584,089)	-	352,258	1,270,568	(603,353,195)	1,517,885,974
Biological assets	16,792,560	-	-	-	2,214,710	19,007,270	-	-	-	-	-	-	19,007,270
	47,172,507,543	3,983,563,051	(119,702,243)	2	2,214,713	51,038,583,066	(10,729,145,384)	1,486,307,369)	(2,726,849)	50,226,478	222,741	(12,167,730,383)	38,870,852,683

Appendix C - Municipality only
Budgeted financial performance (revenue and expenditure by standard classification)
for the period ended 30 June 2017

	2016/17						2015/16 Restated				
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & shifting of funds (to MFMA s31)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Restated audited outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard											
Governance and administration	9,577,916,584	29,512,787	9,607,429,371		9,607,429,371	9,994,766,164		387,336,793	104 %	104 %	9,297,982,588
Executive and Council	255,705,159	(185,855,624)	69,849,535		69,849,535	142,835,568		72,986,033	204 %	56 %	213,112,925
Budget and Treasury Office	9,140,678,585	213,323,514	9,354,002,099		9,354,002,099	9,573,595,267		219,593,168	102 %	105 %	8,699,631,553
Corporate services	181,532,840	2,044,897	183,577,737		183,577,737	278,335,329		94,757,592	152 %	153 %	385,238,110
Community and public safety	1,214,393,278	137,752,409	1,352,145,687		1,352,145,687	1,208,861,746		(143,283,941)	89 %	100 %	1,435,842,930
Community and social services	41,984,190	21,465,066	63,449,256		63,449,256	93,405,086		29,955,830	147 %	222 %	83,393,415
Sport and recreation	19,744,144	6,974,466	26,718,610		26,718,610	57,513,319		30,794,709	215 %	291 %	38,482,383
Public safety	210,095,583	104,112,877	314,208,460		314,208,460	207,177,670		(107,030,790)	66 %	99 %	335,149,785
Housing	813,745,015	5,200,000	818,945,015		818,945,015	720,520,211		(98,424,804)	88 %	89 %	857,421,375
Health	128,824,346	-	128,824,346		128,824,346	130,245,460		1,421,114	101 %	101 %	121,395,972
Economic and environmental services	1,746,671,874	44,045,015	1,790,716,889		1,790,716,889	1,633,455,879		(157,261,010)	91 %	94 %	1,734,046,566
Planning and development	208,125,305	78,947,072	287,072,377		287,072,377	232,216,080		(54,856,297)	81 %	112 %	245,447,308
Road transport	1,538,261,993	(34,902,057)	1,503,359,936		1,503,359,936	1,401,059,407		(102,300,529)	93 %	91 %	1,488,039,225
Environmental protection	284,576	-	284,576		284,576	180,392		(104,184)	63 %	63 %	560,033
Trading services	19,177,342,136	(553,177,094)	18,624,165,042		18,624,165,042	17,882,097,487		(742,067,555)	96 %	93 %	15,977,650,811
Electricity	12,834,303,693	(371,468,175)	12,462,835,518		12,462,835,518	11,664,826,540		(798,008,978)	94 %	91 %	10,230,397,341
Water	3,886,086,332	(189,116,887)	3,696,969,445		3,696,969,445	3,652,951,956		(44,017,489)	99 %	94 %	3,482,856,704
Waste water management	1,169,283,306	(30,349,953)	1,138,933,353		1,138,933,353	1,239,642,628		100,709,275	109 %	106 %	1,049,932,676
Waste management	1,287,668,805	37,757,921	1,325,426,726		1,325,426,726	1,324,676,363		(750,363)	100 %	103 %	1,214,464,090
Other	207,917,348	14,040,079	221,957,427		221,957,427	222,357,735		400,308	100 %	107 %	216,919,910
Other	207,917,348	14,040,079	221,957,427		221,957,427	222,357,735		400,308	100 %	107 %	216,919,910
Total Revenue - Standard	31,924,241,220	(327,826,804)	31,596,414,416		31,596,414,416	30,941,539,011		(654,875,405)	98 %	97 %	28,662,442,805

Appendix C - Municipality only
Budgeted financial performance (revenue and expenditure by standard classification)
for the period ended 30 June 2017

2016/17

2015/16
Restated

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & shifting of funds (to MFMA s31)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Restated audited outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard											
Governance and administration	5,635,357,147	272,317,970	5,907,675,117	-	5,907,675,117	5,900,161,547	281,601,470	(7,513,570)	100 %	105 %	5,892,716,736
Executive and Council	1,692,504,104	124,898,532	1,817,402,636	26,107,771	1,843,510,407	1,791,218,040	-	(52,292,367)	97 %	106 %	1,592,368,719
Budget and Treasury Office	876,312,925	(71,339,338)	804,973,587	(4,488,076)	800,485,511	548,856,371	-	(251,629,140)	69 %	63 %	420,258,633
Corporate services	3,066,540,118	218,758,776	3,285,298,894	(6,813,228)	3,278,485,666	3,560,087,136	281,601,470	281,601,470	109 %	116 %	3,880,089,384
Community and public safety	4,008,121,465	23,887,896	4,032,009,361	(11,852,808)	4,020,156,553	4,077,086,012	130,425,022	56,929,459	101 %	102 %	4,343,819,234
Community and social services	648,858,443	(26,898,135)	621,960,308	(5,071,006)	616,889,302	617,210,016	320,714	320,714	100 %	95 %	643,138,025
Sport and recreation	474,224,352	90,488,768	564,713,120	(9,169,209)	555,543,911	621,220,983	65,677,072	65,677,072	112 %	131 %	583,030,834
Public safety	1,776,048,949	(110,960,296)	1,665,088,653	3,634,260	1,668,722,913	1,733,150,149	64,427,236	64,427,236	104 %	98 %	2,012,853,777
Housing	605,207,316	54,183,311	659,390,627	(343,090)	659,047,537	589,417,737	-	(69,629,800)	89 %	97 %	599,590,103
Health	503,782,405	17,074,248	520,856,653	(903,763)	519,952,890	516,087,127	-	(3,865,763)	99 %	102 %	505,206,495
Economic and environmental services	2,452,967,806	183,279,721	2,636,247,527	3,676,769	2,639,924,296	2,440,281,458	-	(199,642,838)	92 %	99 %	2,489,868,991
Planning and development	673,019,582	6,648,863	679,668,445	(775,449)	678,892,996	628,992,333	-	(49,900,663)	93 %	93 %	648,301,294
Road transport	1,746,832,342	176,886,543	1,923,718,885	3,910,923	1,927,629,808	1,780,709,371	-	(146,920,437)	92 %	102 %	1,809,032,655
Environmental protection	33,115,882	(255,685)	32,860,197	541,295	33,401,492	30,579,754	-	(2,821,738)	92 %	92 %	32,535,042
Trading services	15,350,639,019	(75,392,322)	15,275,246,697	(5,260,374)	15,269,986,323	15,297,952,532	231,309,618	27,966,209	100 %	100 %	14,654,225,966
Electricity	10,383,746,110	(181,460,702)	10,202,285,408	121,465,164	10,323,750,572	10,527,668,909	203,918,337	203,918,337	102 %	101 %	10,006,472,023
Water	3,189,285,817	(2,492,723)	3,186,793,094	(124,883,888)	3,061,909,206	2,918,209,446	-	(143,699,760)	95 %	92 %	2,783,392,257
Waste water management	555,494,795	80,584,391	636,079,186	(3,271,963)	632,807,223	573,163,574	-	(59,643,649)	91 %	103 %	633,262,208
Waste management	1,222,112,297	27,976,712	1,250,089,009	1,430,313	1,251,519,322	1,278,910,603	27,391,281	27,391,281	102 %	105 %	1,231,099,478
Other	176,277,071	22,332,396	198,609,467	(1,370,054)	197,239,413	197,239,413	14,116,106	14,116,107	107 %	120 %	185,159,294
Other	176,277,071	22,332,396	198,609,467	(1,370,054)	197,239,413	211,355,520	14,116,106	14,116,107	107 %	120 %	185,159,294
Total Expenditure - Standard	27,623,362,508	426,425,661	28,049,788,169	-	28,049,788,169	27,926,837,069	657,452,216	(122,951,100)	100 %	101 %	27,565,790,221
Surplus/(Deficit) for the year	4,300,878,712	(754,252,465)	3,546,626,247		3,546,626,247	3,014,701,942		(531,924,305)	85 %	70 %	1,096,652,584

Appendix D - Municipality only
Budgeted financial performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2017

	2016/17						2015/16 Restated				
	Original budget	Budget adjustments (to s28 and s31 of the MFMA)	Final adjustments budget	Virement (to Council policy) & shifting of funds (to MFMA s 31)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Restated audited outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote											
City Manager	239,950,000	(191,450,000)	48,500,000		48,500,000	115,599,919		67,099,919	238 %	48 %	201,160,626
Economic Development & Spatial Planning	164,048,206	76,947,072	240,995,278		240,995,278	194,256,545		(46,738,733)	- %	(24)%	201,836,320
Emergency Management Services	77,358,409	3,708	77,362,117		77,362,117	82,199,427		4,837,310	106 %	106 %	85,606,324
Environment & Agriculture Management	1,436,485,854	60,970,744	1,497,456,598		1,497,456,598	1,536,255,128		38,798,530	103 %	107 %	1,397,927,884
Group Communication & Marketing	45,210,099	2,000,000	47,210,099		47,210,099	37,057,362		(10,152,737)	78 %	82 %	43,628,646
Group Financial Services Cluster	9,191,283,626	215,323,514	9,406,607,140		9,406,607,140	9,694,647,688		288,040,548	103 %	105 %	8,763,140,461
Group Human Capital Management	23,017,987	(993,411)	22,024,576		22,024,576	25,234,726		3,210,150	115 %	110 %	33,802,732
Health Department	57,144,349	-	57,144,349		57,144,349	62,535,325		5,390,976	109 %	109 %	55,453,786
Housing and Human Settlement	787,886,391	1,200,000	789,086,391		789,086,391	691,565,937		(97,520,454)	88 %	88 %	833,574,245
Metro Police	204,503,369	104,109,169	308,612,538		308,612,538	194,576,975		(114,035,563)	63 %	95 %	315,597,030
Regional Operations & Coordination	237,234,011	(4,069,904)	233,164,107		233,164,107	281,975,891		48,811,784	121 %	119 %	248,866,787
Roads & Transport	1,427,003,230	(29,122,047)	1,397,881,183		1,397,881,183	1,281,323,520		(116,557,663)	92 %	(9)%	1,386,070,234
Shared Services	392,742	810,482	1,203,224		1,203,224	9,671,944		8,468,720	804 %	2,463 %	9,551,505
Utility Service: Water and Sanitation	5,055,367,269	(219,466,840)	4,835,900,429		4,835,900,429	4,891,399,385		55,498,956	101 %	97 %	4,532,777,899
Utility Service: Electricity	12,833,887,367	(371,468,175)	12,462,419,192		12,462,419,192	11,649,151,398		(813,267,794)	93 %	91 %	10,219,382,663
Group Audit and Risk	45,111,896	(5,000,000)	40,111,896		40,111,896	51,844,904		11,733,008	129 %	115 %	40,380,632
Office of the Executive Mayor	-	3,899,747	3,899,747		3,899,747	6,525,255		2,625,508	167 %	40 %	7,459
Group Legal and Secretarial Service	386,971	-	386,971		386,971	820,257		433,286	212 %	53 %	53,426
Group Property	64,685,782	5,027,826	69,713,608		69,713,608	71,665,786		1,952,178	103 %	111 %	238,133,344
Office of the Chief Whip	-	-	-		-	349,422		349,422	DIV/0 %	DIV/0 %	-
Office of the Speaker	-	-	-		-	1,882,603		1,882,603	DIV/0 %	DIV/0 %	112
Community & Social Development Services	33,283,662	23,451,311	56,734,973		56,734,973	60,352,665		3,617,692	106 %	181 %	55,470,295
Customer Relations Management	-	-	-		-	646,946		646,946	DIV/0 %	DIV/0 %	20,394
Total Revenue by Vote	31,924,241,220	(327,826,804)	31,596,414,416		31,596,414,416	30,941,539,008		(654,875,408)	98 %	97 %	28,662,442,804

Appendix D - Municipality only
Budgeted financial performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2017

	2016/17				2015/16 Restated						
	Original budget	Budget adjustments (to s28 and s31 of the MFMA)	Final adjustments budget	Virement (to Council policy) & shifting of funds (to MFMA s 31)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Restated audited outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure by Vote to be appropriated											
City Manager	330,274,270	(99,353,610)	230,920,660	-	230,920,660	222,583,191	-	(8,337,469)	96 %	67 %	291,898,561
Economic Development & Spatial Planning	656,766,429	(5,289,468)	651,476,961	-	651,476,961	597,215,804	-	(54,261,157)	92 %	91 %	629,481,735
Emergency Management Services	620,381,741	11,353,358	631,735,099	-	631,735,099	630,639,875	-	(1,095,224)	100 %	102 %	614,776,727
Environment & Agriculture Management	677,525,293	63,118,171	740,643,464	-	740,643,464	741,425,345	781,881	781,881	100 %	109 %	654,151,985
Group Communications & Marketing	148,697,222	(21,014,772)	127,682,450	-	127,682,450	122,106,014	-	(5,576,436)	96 %	82 %	160,702,446
Group Financial Services Cluster	1,478,306,403	145,195,361	1,623,501,764	-	1,623,501,764	1,453,521,786	-	(169,979,978)	90 %	98 %	1,427,011,796
Group Human Capital Management	273,672,969	(608,313)	273,064,656	40,000	273,104,656	269,048,142	-	(4,056,514)	99 %	98 %	269,584,969
Health Department	310,609,591	13,941,439	324,551,030	-	324,551,030	323,715,320	-	(835,710)	100 %	104 %	317,875,482
Housing & Human Settlement	555,196,016	(5,076,951)	550,119,065	-	550,119,065	422,340,954	-	(127,778,111)	77 %	76 %	498,475,369
Metro Police	1,841,714,957	234,849,560	2,076,564,517	-	2,076,564,517	2,181,776,140	105,211,623	105,211,623	105 %	118 %	2,034,929,337
Regional Operations & Coordination	3,401,965,793	59,820,447	3,461,786,240	-	3,461,786,240	3,618,633,274	156,847,034	156,847,034	105 %	106 %	3,746,019,997
Roads and Transport	1,230,897,328	209,785,817	1,440,683,145	-	1,440,683,145	1,317,853,710	-	(122,829,435)	91 %	107 %	1,316,719,651
Shared Services	1,351,747,006	(55,332,607)	1,296,414,399	(40,000)	1,296,374,399	1,320,258,528	23,884,129	23,884,129	102 %	98 %	1,447,485,723
Utility Service: Water and Sanitation	3,461,583,836	68,663,944	3,530,247,780	(120,588,607)	3,409,659,173	3,198,279,085	-	(211,380,088)	94 %	92 %	3,121,753,488
Utility Service: Electricity	9,577,038,115	(187,710,345)	9,389,327,770	120,588,607	9,509,916,377	9,657,565,055	147,648,678	147,648,678	102 %	101 %	9,026,308,228
Group Audit and Risk	306,160,892	2,091,257	308,252,149	-	308,252,149	364,811,812	56,559,663	56,559,663	118 %	119 %	437,196,742
Office of the Executive Mayor	280,043,147	(48,697,537)	231,345,610	-	231,345,610	202,209,071	-	(29,136,539)	87 %	72 %	287,000,167
Group Legal and Secretarial Service	115,386,922	3,342,984	118,729,906	-	118,729,906	185,677,106	66,947,200	66,947,200	156 %	161 %	200,714,647
Group Property	299,160,585	63,483,176	362,643,761	-	362,643,761	421,459,156	58,815,395	58,815,395	116 %	141 %	396,379,930
Office of the Chief Whip	34,374,726	(3,326,473)	31,048,253	-	31,048,253	30,035,355	-	(1,012,898)	97 %	87 %	31,273,499
Office of the Speaker	273,174,357	(17,657,226)	255,517,131	-	255,517,131	248,813,300	-	(6,703,831)	97 %	91 %	256,989,190
Community and Social Development Services	298,143,528	(358,251)	297,785,277	-	297,785,277	298,815,473	1,030,196	1,030,196	100 %	100 %	304,534,105
Customer Relations Management	100,541,382	(4,794,302)	95,747,080	1	95,747,081	98,053,571	2,306,490	2,306,490	102 %	98 %	94,526,450
Total Expenditure by Vote	27,623,362,508	426,425,659	28,049,788,167	1	28,049,788,168	27,926,837,067	620,032,289	(122,951,101)	100 %	101 %	27,565,790,224
Surplus/(Deficit) for the year	4,300,878,712	(754,252,463)	3,546,626,249		3,546,626,248	3,014,701,941		(531,924,307)	85 %	70 %	1,096,652,580

Appendix E - Municipality only
Budgeted financial performance (revenue and expenditure)
for the period ended 30 June 2017

	2016/17							2015/16 Restated						
	Original budget	Budget adjustments (to s28 and s31 of the MFMA)	Final adjustments budget	Virement (to Council policy) & shifting of funds (to MFMA s31)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source														
Property rates	5,739,916,595	120,000,000	5,859,916,595		5,859,916,595	5,912,860,893		52,944,298	101 %	103 %				5,360,754,623
Service charges: Electricity revenue	11,360,245,985	(506,882,000)	10,853,363,985		10,853,363,985	10,865,872,511		12,508,526	100 %	96 %				9,340,209,400
Service charges: Water revenue	3,815,497,952	(429,417,936)	3,386,080,016		3,386,080,016	3,181,429,619		(204,650,397)	94 %	83 %				3,226,513,940
Service charges: Sanitation revenue	894,777,408	(100,006,000)	794,771,408		794,771,408	779,985,057		(14,786,351)	98 %	87 %				760,693,469
Service charges: Refuse revenue	1,205,390,340	20,000,000	1,225,390,340		1,225,390,340	1,251,916,033		26,525,693	102 %	104 %				1,128,045,780
Service charges: Other	209,559,840	62,000,000	271,559,840		271,559,840	315,003,382		43,443,542	116 %	150 %				231,378,360
Rental of facilities and equipment	127,396,900	8,759,670	136,156,570		136,156,570	128,862,904		(7,293,666)	95 %	101 %				131,980,491
Interest earned: External investments	41,895,300	2,000,000	43,895,300		43,895,300	105,227,293		61,331,993	240 %	251 %				55,999,525
Interest earned: Outstanding debtors	187,511,500	207,404,100	394,915,600		394,915,600	553,456,804		158,541,204	140 %	295 %				361,021,944
Fines	198,658,314	104,689,473	303,347,787		303,347,787	181,871,269		(121,476,518)	60 %	92 %				313,548,835
Licences and permits	60,563,790	(9,668,320)	50,895,470		50,895,470	49,266,169		(1,629,301)	97 %	81 %				48,743,171
Transfers recognised: Operational	3,976,476,420	(32,354,453)	3,944,121,967		3,944,121,967	3,813,144,804		(130,977,163)	97 %	96 %				3,516,826,178
Other revenue	1,736,142,189	(770,229,060)	965,913,129		965,913,129	1,120,424,370		154,511,241	116 %	65 %				1,017,370,956
Gains on disposal of PPE	-	950,000,000	950,000,000		950,000,000	3,570,992		(946,429,008)	- %	(26,503)%				165,886,004
Total Revenue (excluding capital transfers and contributions)	29,554,032,533	(373,704,526)	29,180,328,007		29,180,328,007	28,262,892,100		(917,435,907)	97 %	96 %				25,658,972,676

Appendix E - Municipality only
Budgeted financial performance (revenue and expenditure)
for the period ended 30 June 2017

	2016/17							2015/16 Restated						
	Original budget	Budget adjustments (to s28 and s31 of the MFMA)	Final adjustments budget	Virement (to Council policy) & shifting of funds (to MFMA s31)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type														
Employee-related costs	7,716,877,064	243,485,792	7,960,362,856	-	7,960,362,856	7,895,827,022	-	(64,535,834)	99 %	102 %	-	-	-	7,397,808,866
Remuneration of councillors	120,466,574	1,000,000	121,466,574	-	121,466,574	118,003,200	-	(3,463,374)	97 %	98 %	-	-	-	112,443,327
Debt impairment	849,491,950	158,476,628	1,007,968,578	-	1,007,968,578	742,783,761	-	(265,184,817)	74 %	87 %	-	-	-	293,312,650
Depreciation & asset impairment	1,254,566,602	252,854,590	1,507,421,192	(20,000,000)	1,487,421,192	1,541,771,772	54,350,580	54,350,580	104 %	123 %	-	-	-	1,415,792,566
Finance charges	1,057,637,963	226,439,404	1,284,077,367	7,452,973	1,291,530,340	1,335,165,611	43,635,271	43,635,271	103 %	126 %	-	-	-	1,136,966,921
Bulk purchases	9,748,735,783	(202,800,000)	9,545,935,783	-	9,545,935,783	9,582,375,815	36,440,032	36,440,032	100 %	98 %	-	-	-	8,808,848,636
Other materials	272,960,566	(14,140,757)	258,819,809	1,704,875	260,524,684	235,342,525	-	(25,182,159)	90 %	86 %	-	-	-	227,064,298
Contracted services	2,678,690,227	(13,835,556)	2,664,854,671	8,753,634	2,673,608,305	2,779,424,758	105,816,453	105,816,453	104 %	104 %	-	-	-	3,180,711,536
Transfers and grants	263,846,888	(5,274,103)	258,572,785	-	258,572,785	382,142,676	123,569,891	123,569,891	148 %	145 %	-	-	-	347,060,760
Other expenditure	3,660,087,891	(219,780,336)	3,440,307,555	2,012,518	3,442,320,073	2,875,697,526	-	(566,622,547)	84 %	79 %	-	-	-	3,991,103,031
Loss on disposal of PPE	1,000	-	1,000	76,000	77,000	70,107,169	70,030,169	70,030,169	91,048 %	92,145 %	-	-	-	103,417,675
Total Expenditure	27,623,362,508	426,425,662	28,049,788,170	-	28,049,788,170	27,558,641,835	433,842,396	(491,146,335)	98 %	100 %	-	-	-	27,014,530,266
Surplus/(Deficit)	1,930,670,025	(800,130,188)	1,130,539,837		1,130,539,837	704,250,265	(433,842,396)	(426,289,572)	62 %	36 %				(1,355,557,590)
Transfers recognised: Capital	2,370,208,687	45,877,722	2,416,086,409		2,416,086,409	2,310,451,676		(105,634,733)	96 %	97 %				2,452,210,170
Contributions recognised: Capital	-	-	-		-	-		-	- %	- %				-
Contributed assets	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) after capital transfers & contributions	4,300,878,712	(754,252,466)	3,546,626,246		3,546,626,246	3,014,701,941		(531,924,305)	85 %	70 %				1,096,652,580
Taxation	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) after taxation	4,300,878,712	(754,252,466)	3,546,626,246		3,546,626,246	3,014,701,941		(531,924,305)	85 %	70 %				1,096,652,580
Attributable to minorities	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) attributable to Municipality	4,300,878,712	(754,252,466)	3,546,626,246		3,546,626,246	3,014,701,941		(531,924,305)	85 %	70 %				1,096,652,580
Share of surplus/ (deficit) of associate	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) for the year	4,300,878,712	(754,252,466)	3,546,626,246		3,546,626,246	3,014,701,941		(531,924,305)	85 %	70 %				1,096,652,580

**Appendix F - Municipality only
Budgeted capital expenditure by vote, standard classification and funding
for the period ended 30 June 2017**

	2016/17								2015/16						
	Original budget	Budget adjustments (to s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (to s31 of the MFMA)	Virement (to Council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
City Manager	37,000,000	31,500,000	68,500,000	-	-	68,500,000	48,002,376	-	(20,497,624)	70 %	130 %	-	-	-	82,337,695
Group Audit and Risk	30,000,000	(20,000,000)	10,000,000	-	-	10,000,000	5,856,317	-	(4,143,683)	59 %	20 %	-	-	-	16,588,366
Economic Development & Spatial Planning	212,650,000	(114,995,800)	97,654,200	-	-	97,654,200	47,537,898	-	(50,116,302)	49 %	22 %	-	-	-	21,819,314
Group Human Capital Management	-	10,000,000	10,000,000	-	-	10,000,000	4,298,406	-	(5,701,594)	43 %	DIV/0 %	-	-	-	8,059,617
Group Property	3,158,657	(1,158,657)	2,000,000	-	-	2,000,000	-	-	(2,000,000)	- %	- %	-	-	-	-
Shared Services	231,258,750	(26,558,750)	204,700,000	-	-	204,700,000	160,031,342	-	(44,668,658)	78 %	69 %	-	-	-	110,661,405
Group Financial Services Cluster	166,000,000	(136,000,000)	30,000,000	-	-	30,000,000	22,200,226	-	(7,799,774)	74 %	13 %	-	-	-	42,010,256
Emergency Management Services	66,000,000	(55,000,000)	11,000,000	-	-	11,000,000	10,895,317	-	(104,683)	99 %	17 %	-	-	-	5,938,642
Metro Police	5,000,000	25,000,000	30,000,000	-	-	30,000,000	29,997,108	-	(2,892)	100 %	600 %	-	-	-	8,852,430
Community and Social Development Services	98,450,000	17,557,878	116,007,878	-	-	116,007,878	92,131,373	-	(23,876,505)	79 %	94 %	-	-	-	89,978,601
Environment & Agriculture Management	76,033,600	(37,533,600)	38,500,000	-	-	38,500,000	37,796,604	-	(703,396)	98 %	50 %	-	-	-	97,706,676
Health Department	755,442,704	(733,242,704)	22,200,000	-	-	22,200,000	14,031,486	-	(8,168,514)	63 %	2 %	-	-	-	46,525,161
Housing and Human Settlement	522,445,251	47,258,750	569,704,001	-	-	569,704,001	605,234,227	35,530,226	35,530,226	106 %	116 %	-	-	-	865,067,075
Roads and Transport	588,045,964	640,489,265	1,228,535,229	-	-	1,228,535,229	1,102,620,681	-	(125,914,548)	90 %	188 %	-	-	-	1,428,678,275
Utility Service: Water and Sanitation	330,285,000	118,682,981	448,967,981	-	-	448,967,981	421,561,237	-	(27,406,744)	94 %	128 %	-	-	-	492,398,621
Utility Service: Electricity	308,163,389	1,171,596,790	1,479,760,179	-	-	1,479,760,179	488,468,982	-	(991,291,197)	33 %	159 %	-	-	-	430,984,288
Regional Operations and Coordination	29,000,000	(26,000,000)	3,000,000	-	-	3,000,000	2,832,193	-	(167,807)	94 %	10 %	-	-	-	-
Capital multi-year expenditure sub-total	3,458,933,315	911,596,153	4,370,529,468	-	-	4,370,529,468	3,093,495,773	35,530,226	(1,277,033,695)	71 %	89 %	-	-	-	3,747,606,422
Single-year expenditure															
Economic Development & Spatial Planning	200,000	3,800,000	4,000,000	-	-	4,000,000	-	-	(4,000,000)	- %	- %	-	-	-	2,970,000
Shared Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	75,773,260
Group Financial Services Cluster	8,000,000	40,500,000	48,500,000	-	-	48,500,000	21,313,239	-	(27,186,761)	44 %	266 %	-	-	-	-
Community and Social Development	-	18,670,351	18,670,351	-	-	18,670,351	9,936,346	-	(8,734,005)	53 %	DIV/0 %	-	-	-	3,897,669
Environment & Agriculture Management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	4,998,188
City Manager	5,000,000	72,886,590	77,886,590	-	-	77,886,590	65,406,313	-	(12,480,277)	84 %	1,308 %	-	-	-	-
Housing and Human Settlement	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	113,214,045
Roads and Transport	950,000,000	(949,000,000)	1,000,000	-	-	1,000,000	963,848	-	(36,152)	96 %	- %	-	-	-	20,134,603
Utility Service: Electricity	5,000,000	(1,000,000)	4,000,000	-	-	4,000,000	3,518,754	-	(481,246)	88 %	- %	-	-	-	-
Capital single-year expenditure sub-total	968,200,000	(814,143,059)	154,056,941	-	-	154,056,941	101,138,500	-	(52,918,441)	66 %	10 %	-	-	-	220,987,765
Total Capital Expenditure - Vote	4,427,133,315	97,453,094	4,524,586,409	-	-	4,524,586,409	3,194,634,273	35,530,226	(1,329,952,136)	71 %	72 %	-	-	-	3,968,594,187

Appendix F - Municipality only
Budgeted capital expenditure by vote, standard classification and funding
for the period ended 30 June 2017

	2016/17								2015/16					
Original budget	Budget adjustments (to s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (to s31 of the MFMA)	Virement (to Council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard														
Governance and administration	480,417,407	(28,830,817)	451,586,590	-	-	451,586,590	327,108,219	-	(124,478,371)	72 %	68 %	-	-	484,411,746
Executive and Council	39,000,000	105,886,590	144,886,590	-	-	144,886,590	121,813,420	-	(23,073,170)	84 %	312 %	-	-	221,638,898
Budget and Treasury Office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	156,708
Corporate services	441,417,407	(134,717,407)	306,700,000	-	-	306,700,000	205,294,799	-	(101,405,201)	67 %	47 %	-	-	262,616,140
Community and public safety	1,516,621,555	(742,539,325)	774,082,230	-	-	774,082,230	768,474,228	35,362,419	(5,608,002)	99 %	51 %	-	-	1,058,034,291
Community and social services	104,983,600	(26,195,183)	78,788,417	-	-	78,788,417	63,688,081	-	(15,100,336)	81 %	61 %	-	-	76,583,348
Sport and recreation	33,750,000	25,639,812	59,389,812	-	-	59,389,812	41,795,816	-	(17,593,996)	70 %	124 %	-	-	90,834,738
Public safety	71,000,000	(30,000,000)	41,000,000	-	-	41,000,000	40,892,425	-	(107,575)	100 %	58 %	-	-	14,791,072
Housing	551,445,251	21,258,750	572,704,001	-	-	572,704,001	608,066,420	35,362,419	35,362,419	106 %	110 %	-	-	829,299,972
Health	755,442,704	(733,242,704)	22,200,000	-	-	22,200,000	14,031,486	-	(8,168,514)	63 %	2 %	-	-	46,525,161
Economic and environmental services	1,717,080,281	(404,390,852)	1,312,689,429	-	-	1,312,689,429	1,133,048,968	-	(179,640,461)	86 %	66 %	-	-	1,455,793,589
Planning and development	212,850,000	(111,195,800)	101,654,200	-	-	101,654,200	47,537,898	-	(54,116,302)	47 %	22 %	-	-	24,789,314
Road transport	1,499,230,281	(291,195,052)	1,208,035,229	-	-	1,208,035,229	1,082,795,991	-	(125,239,238)	90 %	72 %	-	-	1,428,678,275
Environmental protection	5,000,000	(2,000,000)	3,000,000	-	-	3,000,000	2,715,079	-	(284,921)	91 %	54 %	-	-	2,326,000
Trading services	667,448,389	1,286,279,771	1,953,728,160	-	-	1,953,728,160	934,371,319	-	(1,019,356,841)	48 %	140 %	-	-	940,376,814
Electricity	313,163,389	1,170,596,790	1,483,760,179	-	-	1,483,760,179	491,987,736	-	(991,772,443)	33 %	157 %	-	-	430,984,288
Water	52,285,000	41,369,571	93,654,571	-	-	93,654,571	83,795,139	-	(9,859,432)	89 %	160 %	-	-	97,526,472
Waste water management	278,000,000	77,313,410	355,313,410	-	-	355,313,410	337,766,098	-	(17,547,312)	95 %	121 %	-	-	394,872,149
Waste management	24,000,000	(3,000,000)	21,000,000	-	-	21,000,000	20,822,346	-	(177,654)	99 %	87 %	-	-	16,993,905
Other	45,565,683	(13,065,683)	32,500,000	-	-	32,500,000	31,631,539	-	(868,461)	97 %	69 %	-	-	29,977,747
Other	45,565,683	(13,065,683)	32,500,000	-	-	32,500,000	31,631,539	-	(868,461)	97 %	69 %	-	-	29,977,747
Total Capital Expenditure - Standard	4,427,133,315	97,453,094	4,524,586,409	-	-	4,524,586,409	3,194,634,273	35,362,419	(1,329,952,136)	71 %	72 %	-	-	3,968,594,187
Funded by:														
National Government	2,089,964,641	241,689,339	2,331,653,980	-	-	2,331,653,980	2,269,118,618	-	(62,535,362)	97 %	109 %	-	-	2,405,478,294
Provincial Government	44,700,000	3,278,229	47,978,229	-	-	47,978,229	46,709,633	-	(1,268,596)	97 %	104 %	-	-	44,958,554
Other transfers and grants	50,000,000	(39,800,000)	10,200,000	-	-	10,200,000	4,498,406	-	(5,701,594)	44 %	9 %	-	-	9,832,877
Transfers recognised: Capital	2,184,664,641	205,167,568	2,389,832,209	-	-	2,389,832,209	2,320,326,657	-	(69,505,552)	97 %	106 %	-	-	2,460,269,725
Public contributions & donations	72,900,000	63,354,200	136,254,200	-	-	136,254,200	93,627,125	-	(42,627,075)	69 %	128 %	-	-	147,067,080
Borrowing	2,107,568,674	1,107,568,674	3,215,137,348	-	-	3,215,137,348	2,751,761,635	-	(463,375,713)	75 %	36 %	-	-	1,194,839,429
Internally-generated funds	62,000,000	936,500,000	998,500,000	-	-	998,500,000	28,918,857	-	(969,581,143)	3 %	47 %	-	-	166,417,952
Total Capital Funding	4,427,133,315	97,453,094	4,524,586,409	-	-	4,524,586,409	3,194,634,274	-	(1,329,952,135)	71 %	72 %	-	-	3,968,594,186

Appendix G
Budgeted cash flows (Group)
for the period ended 30 June 2017

	2016/17					2015/16 Restated			
	Original budget	Budget adjustments (to s28 and s31 of the MFMA)	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget Rand	Actual outcome as % of original budget Rand	Restated audited outcome
	Rand	Rand	Rand	Rand	Rand	Rand			Rand
Cash flow from operating activities									
Receipts									
Other sources	2,117,665,317	324,347,488	2,442,012,805	2,442,012,805	2,664,511,745	222,498,940	109 %	126 %	2,264,101,090
Ratepayers/consumers	22,621,981,900	(500,149,999)	22,121,831,901	22,121,831,901	20,298,652,984	(1,823,178,917)	92 %	90 %	18,967,083,124
Government - operating	4,240,323,306	(20,192,482)	4,220,130,824	4,220,130,824	3,980,677,184	(239,453,640)	94 %	94 %	3,511,770,896
Government - capital	2,370,208,687	45,877,722	2,416,086,409	2,416,086,409	2,378,837,580	(37,248,829)	98 %	100 %	2,419,031,820
Interest received	246,630,505	11,937,300	258,567,805	258,567,805	105,993,847	(152,573,958)	41 %	43 %	57,274,371
Payments									
Suppliers	(16,545,112,023)	651,143,985	(15,893,968,038)	(15,893,968,038)	(15,623,600,196)	270,367,842	98 %	94 %	(14,384,379,626)
Employees	(8,005,666,885)	(76,162,545)	(8,081,829,430)	(8,081,829,430)	(8,153,155,335)	(71,325,905)	101 %	102 %	(7,642,447,691)
Interest paid	(1,057,998,992)	(226,417,404)	(1,284,416,396)	(1,284,416,396)	(1,336,036,957)	(51,620,561)	104 %	126 %	(1,137,968,467)
Transfers and grants	(288,054,588)	5,274,103	(282,780,485)	(282,780,485)	-	282,780,485	- %	- %	-
Taxes on surpluses	-	-	-	-	(758,508)	(758,508)	- %	- %	(17,944)
Net cash flow from/(used) operating activities	5,699,977,227	215,658,168	5,915,635,395	5,915,635,395	4,315,122,344	(1,600,513,051)	73 %	76 %	4,054,447,573
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	(950,000,000)	(950,000,000)	(950,000,000)	3,603,765	953,603,765	- %	- %	316,689,885
Decrease/(increase) in other non-current receivables	(238,813,529)	221,713,859	(17,099,670)	(17,099,670)	(2,591,394)	14,508,276	- %	1 %	45,472,106
Decrease/(increase) in non-current investments	(302,990,864)	(10,151,325)	(313,142,189)	(313,142,189)	-	313,142,189	- %	- %	-
Payments									
Capital assets	(4,339,234,426)	892,285,948	(3,446,948,478)	(3,446,948,478)	(4,010,649,793)	(563,701,315)	116 %	92 %	(5,121,603,140)
Purchase/redemption of leased assets	-	-	-	-	(437,613,523)	(437,613,523)	DIV/0 %	DIV/0 %	-
Net cash flow from/(used) investing activities	(4,881,038,819)	153,848,482	(4,727,190,337)	(4,727,190,337)	(4,447,250,945)	279,939,392	94 %	91 %	(4,759,441,149)
Cash flow from financing activities									
Increase in finance lease payments	-	-	-	-	298,835,739	298,835,739	- %	- %	(64,810,162)
Borrowing long term/refinancing	1,000,000,000	-	1,000,000,000	1,000,000,000	1,000,000,000	-	100 %	100 %	1,200,000,000
Service concession arrangements	-	-	-	-	370,289,121	370,289,121	- %	- %	672,256,650
Payments									
Repayment of borrowing	(702,082,801)	(280,719,977)	(982,802,778)	(982,802,778)	(552,420,627)	430,382,151	56 %	79 %	(518,231,162)
Net cash flow from/(used) financing activities	297,917,199	(280,719,977)	17,197,222	17,197,222	1,116,704,233	1,099,507,011	6,494 %	375 %	1,289,215,326
Net increase/(decrease) in cash held	1,116,855,607	88,786,673	1,205,642,280	1,205,642,280	984,575,632	(221,066,648)	82 %	88 %	584,221,750
Cash/cash equivalents at the year begin	2,012,796,013	(834,790,558)	1,178,005,455	1,178,005,455	1,184,740,170	564,682,274	101 %	59 %	600,518,420
Cash/cash equivalents at the year end	3,129,651,620	(746,003,885)	2,383,647,735	2,383,647,735	2,169,315,802	343,615,626	91 %	69 %	1,184,740,170

Appendix H
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary
unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
Capital Grants:														
DPSA Smart Connect	Department Public Service & Administration	-	-	-	-	-	-	200,000	200,000	200,000	-	None	None	Yes
Integrated national electrification Programme (INEP)	Department of Mineral & Energy (DME)	199,351	-	(199,351)	21,465,000	420,000	18,115,000	-	40,000,000	40,000,000	-	None	None	Yes
Gauteng Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	16,409,130	-	-	-	-	-	-	-	-	16,409,130	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	-	298,630,996	424,855,984	769,667,000	-	1,493,153,980	1,490,264,951	2,889,029	None	None	Yes
Gautrans Job Creation PTIS: Transport	Gauteng: Transport (GDoT)	12,071,107	-	(12,071,107)	-	-	-	-	-	-	-	None	None	Yes
Delft Grant	Municipality of Delft (Netherlands)	2,258,342	-	-	187,502,000	187,502,000	374,996,000	-	750,000,000	684,776,952	67,481,390	None	None	Yes
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	2,293,422	-	-	-	-	-	-	-	-	2,293,422	None	None	Yes
Electricity Demand Side (EDSM)	Gauteng:Local Government & Housing (GLGH)	67,394	-	-	-	-	-	-	-	-	67,394	None	None	Yes
Integrated City Development	Department of Mineral & Energy (DME)	7,000,000	-	(7,000,000)	-	-	-	-	-	-	-	None	None	Yes
Social Infrastructure Grant	National Treasury	-	-	36,254,200	-	-	-	-	-	-	36,254,200	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	-	-	-	5,669,803	-	30,936,729	4,393,468	41,000,000	41,000,000	-	None	None	Yes
Finance Management Grant (FMG)	National Treasury	1,208,358	-	(85,588)	4,000,000	1,283,600	700,000	-	5,983,600	5,709,773	1,396,597	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	93,292	-	(93,292)	-	-	-	-	-	-	-	None	None	Yes
		-	-	-	13,800,000	-	34,700,000	-	48,500,000	48,500,000	-	None	None	Yes
		41,600,396	-	16,804,862	531,067,799	614,061,584	1,229,114,729	4,593,468	2,378,837,580	2,310,451,676	126,791,162			

Appendix H
Disclosures of Grants and Subsidies in terms of
Section 123 MFMA, 56 of 2003 (Supplementary
unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
Operational grants/subsidies:														
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	-	-	-	7,589,400	5,059,600	-	-	12,649,000	12,649,000	-	None	None	Yes
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	-	-	-	44,325,000	44,325,000	44,325,000	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	25,140,000	18,855,000	18,855,000	-	62,850,000	62,850,000	-	None	None	Yes
Human Settlement Development: Topstructure	Gauteng: Local Government & Housing (GLGH)	50,933,131	-	(19,800,000)	203,033,010	-	-	-	203,033,010	72,555,231	161,610,910	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	-	2,875,000	-	-	-	2,875,000	2,875,000	-	None	None	Yes
Equitable share	National Treasury	-	-	-	777,015,000	621,613,007	466,211,000	-	1,864,839,007	1,864,839,007	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	-	9,236,004	36,944,016	-	-	46,180,020	46,180,020	-	None	None	Yes
Human Settlements Capacity grant	Cooperative Governance and Traditional Affairs (CoGTA)	1,035,104	-	(1,035,104)	-	-	-	-	-	-	-	None	None	Yes
Municipal Disaster Recovery	Department Local Government	1,447,864	-	-	-	-	-	-	-	-	1,447,864	None	None	Yes
Housing Accreditation	Gauteng: Local Government & Housing (GLGH)	1,235,233	-	-	-	-	-	-	-	-	1,235,233	None	None	Yes
Research and Technology Development	Department Local Government	74,688	-	-	-	-	-	-	-	-	74,688	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	2,659,472	-	(2,659,472)	5,000,000	1,716,400	300,000	-	7,016,400	6,103,292	913,108	None	None	Yes
Broadband (Wifi)	Department Telecommunication and Postal Services	1,086,882	-	-	-	-	-	-	-	-	1,086,882	None	None	Yes
Research and Development	Department of Public Service and Administration (DPSA)	-	-	-	3,899,747	-	-	-	3,899,747	3,899,747	-	None	None	Yes
PTNOG: Transport Gautrans	Gauteng: Transport (GDoT)	741,147	-	-	50,003,000	50,000,000	100,008,000	-	200,011,000	200,266,208	485,939	None	None	Yes
Equitable Share: Fuel levy	Gauteng: Transport	-	-	12,071,107	-	-	-	-	-	109,814	11,961,293	None	None	Yes
Integrated City Development	Department Local Government	-	-	-	480,033,000	480,033,000	480,034,000	-	1,440,100,000	1,440,100,000	-	None	None	Yes
EPWP	National Treasury	29,477,261	-	(65,731,461)	21,326,000	21,326,000	-	-	42,652,000	6,145,485	252,315	None	None	Yes
	Department of Public Works	-	-	-	12,561,000	22,612,000	15,074,000	-	50,247,000	50,247,000	-	None	None	Yes
		<u>88,690,782</u>	-	<u>(77,154,930)</u>	<u>1,597,711,161</u>	<u>1,258,159,023</u>	<u>1,080,482,000</u>	<u>44,325,000</u>	<u>3,980,677,184</u>	<u>3,813,144,804</u>	<u>179,068,232</u>			
Revenue per Statement of Financial Performance (see note 27)		<u>5,969,315,203</u>	-						<u>6,123,596,480</u>					
Unspent conditional grants per Statement of Financial Position (see note 11)			<u>(130,291,178)</u>							<u>305,859,394</u>				