	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

18. Provisions (continued)

Reconciliation of provisions - Controlling entity - 2017

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Current portion of post-retirement medical aid benefits liability	1 026 636	5 756	1 032 392
Current portion of long-service awards	2 381 593	(823 967)	1 557 626
Performance bonus provision	839 695	50 382	890 077
Leave pay provision	20 909 413	3 366 382	24 275 795
	25 157 337	**2 598 553**	**27 755 890**

Reconciliation of provisions - Controlling entity - 2016

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Current portion of post-retirement medical aid benefits liability	944 676	81 960	1 026 636
Current portion of long-service awards	871 315	1 510 278	2 381 593
Performance bonus provision	571 221	268 474	839 695
Leave pay provision	17 374 373	3 535 040	20 909 413
	19 761 585	**5 395 752**	**25 157 337**

19. Retirement benefit liabilities

Defined benefit plan

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

19. Retirement benefit liabilities (continued)

Post-retirement health care benefits liability				
Balance at beginning of year	15 571 785	15 250 105	15 571 785	15 250 105
Contributions to provision	2 133 326	2 133 131	2 133 326	2 133 131
Balance at end of year	17 705 111	17 383 236	17 705 111	17 383 236
Transfer to current provisions	(1 032 392)	(1 026 636)	(1 032 392)	(1 026 636)
Actuarial loss/(gain)	(670 562)	(784 815)	(670 562)	(784 815)
	16 002 157	**15 571 785**	**16 002 157**	**15 571 785**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member is entitled to continue as a 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 municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	540	511	540	511
Continuation members	53	55	53	55
	593	**566**	**593**	**566**

The unfunded liability in respect of past service has been estimated as follows:

In-service members (employees)	8 697 510	7 817 539	8 697 510	7 817 539
Continuation members	8 337 039	8 780 882	8 337 039	8 780 882
	17 034 549	**16 598 421**	**17 034 549**	**16 598 421**

The current-service cost for the year ending 30 June 2017 is estimated to be R692 810, whereas the cost for the ensuing year is estimated to be R733 733 (30 June 2016: R746 952 and R692 810 respectively).

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations was as follows:

Discount rates	8.95%	8.81%	8.95%	8.81%
Health care cost inflation	8.09%	7.95%	8.09%	7.95%
Net effective discount rate	0.80%	0.80%	0.80%	0.80%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	16 598 421	16 194 781	16 598 421	16 194 781
Current services costs	692 810	746 952	692 810	746 952

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

19. Retirement benefit liabilities (continued)

Interest cost	1 440 516	1 386 179	1 440 516	1 386 179
Benefits paid	(1 026 636)	(944 676)	(1 026 636)	(944 676)
	17 705 111	17 383 236	17 705 111	17 383 236
Actuarial loss/(gain)	(670 562)	(784 815)	(670 562)	(784 815)
	17 034 549	**16 598 421**	**17 034 549**	**16 598 421**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	692 810	746 952	692 810	746 952
Interest cost	1 440 516	1 386 179	1 440 516	1 386 179
Actuarial losses/(gains)	(670 562)	(784 815)	(670 562)	(784 815)
	1 462 764	**1 348 316**	**1 462 764**	**1 348 316**

The history of experienced adjustments is as follows:

	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Present value of defined benefit obligation	17 035 000	16 598 421	16 194 781	14 405 969	22 229 850	19 731 792
Deficit	17 035 000	16 598 421	16 194 781	14 405 969	22 229 850	19 731 792
Experienced adjustments on plan liabilities	(288 000)	(550 000)	729 000	(583 000)	(488 790)	(6 769 737)
	16 747 000	**16 048 421**	**16 923 781**	**13 822 969**	**21 741 060**	**12 962 055**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

2017	**Once percentage point increase**	**One percentage point decrease**	**Once percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	3 500	(4 400)	3 500	(4 400)
Effect on defined benefit obligation	(89 000)	104 500	(89 000)	104 500
	(85 500)	**100 100**	**(85 500)**	**100 100**

2016	**Once percentage point increase**	**One percentage point decrease**	**Once percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	3 500	(4 400)	3 500	(4 400)
Effect on defined benefit obligation	(89 000)	104 000	(89 000)	104 000
	(85 500)	**99 600**	**(85 500)**	**99 600**

The municipality expects to make contribution of R2,245 million (2016: R2,133 million) to the defined benefit plans during the next financial year.

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

20. Other long-term employee benefits

Provision for long service awards	15 456 907	14 010 102	15 456 907	14 010 102

The movement in non-current provisions are reconciled as follows:

Long-term service				
Balance at beginning of year	14 010 102	13 234 057	14 010 102	13 234 057
Contributions to provision	3 004 431	3 157 638	3 004 431	3 157 638
	17 014 533	16 391 695	17 014 533	16 391 695
Transfer to provisions	(1 557 626)	(2 381 593)	(1 557 626)	(2 381 593)
Balance at end of year	**15 456 907**	**14 010 102**	**15 456 907**	**14 010 102**

A long-service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 900 (2016: 855) employees were eligible for long-service awards.

The current service costs for the year ending 30 June 2017 is estimated to be R1 676 614, whereas the cost for the ensuing year is estimated to be R1 714 384 (30 June 2016: R1 560 803 and R1 676 614 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8,52%	8,57%	8,52%	8,57%
Cost inflation rate	6,34%	7,22%	6,34%	7,22%
Net effective discount rate	2,05%	1,26%	2,05%	1,26%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	16 391 695	14 105 372	16 391 695	14 105 372
Current service costs	1 676 614	1 560 803	1 676 614	1 560 803
Interest cost	1 304 094	1 116 149	1 304 094	1 116 149
Benefits paid	(2 381 593)	(871 315)	(2 381 593)	(871 315)
Actuarial losses/(gains)	23 723	480 686	23 723	480 686
	17 014 533	**16 391 695**	**17 014 533**	**16 391 695**

The history of experienced adjustments is as follows:

	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Present value of defined benefit obligation	17 014 533	16 391 695	14 105 372	11 670 653	9 150 868	9 765 467
Deficit	17 014 533	16 391 695	14 105 372	11 670 653	9 150 868	9 765 467
Experienced adjustments on plan liabilities	999 274	904 695	910 954	1 671 011	(1 664 673)	(991 516)

Figures in Rand	Economic entity 2017	Economic entity 2016	Controlling entity 2017	Controlling entity 2016

20. Other long-term employee benefits (continued)

	18 013 807	**17 296 390**	**15 016 326**	**13 341 664**	**7 486 195**	**8 773 951**

In accordance with transitional provisions for the amendments to GRAP 25 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting.

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

2017	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	243 300	(217 500)	243 300	(217 500)
Effect on defined benefit obligation	70 600	(76 800)	70 600	(76 800)
	313 900	**(294 300)**	**313 900**	**(294 300)**

2016	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	225 600	(201 200)	225 600	(201 200)
Effect on defined benefit obligation	(69 100)	75 400	(69 100)	75 400
	156 500	**(125 800)**	**156 500**	**(125 800)**

The municipality expects to make a contribution of R3 099 117 (2016: R2 980 708) to the defined benefit plans during the next financial year.

21. Service charges

Sale of water	208 618 541	212 539 494	208 618 541	212 539 494
Sewerage and sanitation charges	105 963 034	107 388 391	105 963 034	107 388 391
	314 581 575	**319 927 885**	**314 581 575**	**319 927 885**

22. Rental of facilities and equipment

Premises				
Premises	239 180	224 745	239 180	224 745
Facilities and equipment				
Rental of facilities	2 306 265	864 261	2 306 265	864 261
	2 545 445	**1 089 006**	**2 545 445**	**1 089 006**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

23. Other income

Revaluation reserve/ Assets acquired at no cost	-	137 368	-	137 368
Administration fees	29 500	5 700	29 500	5 700
Building plan fees	123 460	91 870	123 460	91 870
Connection fees	1 551 129	1 845 226	1 551 129	1 845 226
Other revenue	3 545 492	1 566 794	887 863	1 034 875
Atmospheric emissions licenses	553 834	942 856	553 834	942 856
Reconnection fees	549 036	632 143	549 036	632 143
Tender deposits	313 650	173 708	313 650	173 708
Water rates certificates	1 009 857	922 934	1 009 857	922 934
Developers fees	5 075 082	11 011 074	5 075 082	11 011 074
	12 751 040	**17 329 673**	**10 093 411**	**16 797 754**

24. Investment revenue

Interest revenue				
Short-term investments	1 853 184	5 672 082	1 853 184	5 672 082
Bank	22 422 727	20 936 704	21 573 146	20 182 661
Interest charged on trade and other receivables	4 021 187	4 019 407	4 021 187	4 019 407
	28 297 098	**30 628 193**	**27 447 517**	**29 874 150**

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies

Operating grants				
Equitable share	312 458 000	303 885 000	312 458 000	303 885 000
Levies replacement	63 873 000	58 891 000	63 873 000	58 891 000
Drought Relief Emergency (COGTA)	5 000 000	-	5 000 000	-
Finance Management Grant (FMG)	1 460 000	1 325 000	1 460 000	1 325 000
Municipal Systems Improvement Grant (MSIG)	-	940 000	-	940 000
Intergovernmental District Forum	-	2 178	-	2 178
Intergrated Waste Management/Environmental	-	430 395	-	430 395
Ugu Broadband Project	-	144 019	-	144 019
Emerging Contractors NPC	-	129 000	-	129 000
Ugu Timber Study Project	-	38 575	-	38 575
Ugu Craft Commercialisation Project	-	6 650	-	6 650
Rain Water Harvesting- Umzumbe	-	15 456	-	15 456
DWAF : Refurbish Rural Water Schemes	3 650 000	1 342 653	3 650 000	1 342 653
Expanded Public Works Programme	1 788 000	1 826 000	1 788 000	1 826 000
Local Economic Development (LED) Grant	-	502 583	-	502 583
Development Planning Shared Services Support	400 000	250 000	400 000	250 000
Municipal Disaster Recovery(Cogta)	-	4 999 000	-	4 999 000
Rural Transport Services	2 510 000	2 446 000	2 510 000	2 446 000
Disaster Shared Services	-	93 628	-	93 628
	391 139 000	**377 267 137**	**391 139 000**	**377 267 137**
Capital grants				
Municipal Infrastructure Grant (MIG)	233 873 000	249 316 000	233 873 000	249 316 000
Disaster Management Centre (DMC) Grant	5 000 000	14 967	5 000 000	14 967
Mhlabatshane Bulk Scheme	12 776 000	19 369 902	12 776 000	19 369 902
UGU Bulk Schemes-Murchison	-	896 679	-	896 679
Drought Intervention Programme - Diesel Generators	-	3 058 598	-	3 058 598
Drought Intervention Programme - Springs	-	3 444 878	-	3 444 878
Universal Access to water - Umdoni	79 952	1 500 000	79 952	1 500 000
Water Services Infrastructure Grant	58 570 000	78 417 635	58 570 000	78 417 635
Uvongo Sewerage Upgrade	-	68 492	-	68 492
Masinenge Low Cost Housing - Ray Nkonyeni	-	27 477	-	27 477
	310 298 952	**356 114 628**	**310 298 952**	**356 114 628**
	701 437 952	**733 381 765**	**701 437 952**	**733 381 765**

National: equitable share

The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury.

Current-year receipts	376 331 000	353 845 000	376 331 000	353 845 000
Conditions met - transferred to revenue: operating expenses	(376 331 000)	(353 845 000)	(376 331 000)	(353 845 000)
	-	**-**	**-**	**-**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 209 (2016: R 204), which is funded from the grant.

Drought Relief Emergency (COGTA)

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Current-year receipts	5 000 000	-	5 000 000	-
Conditions met - transferred to revenue: operating expenses	(5 000 000)	-	(5 000 000)	-
	-	-	-	-

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

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery

Finance Management Grant (FMG)

Current-year receipts	1 460 000	1 325 000	1 460 000	1 325 000
Conditions met - transferred to revenue: operating expenses	(1 460 000)	(1 325 000)	(1 460 000)	(1 325 000)
	-	-	-	-

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

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	206 998	-	206 998
Current-year receipts	-	940 000	-	940 000
Conditions met - transferred to revenue: operating expenses	-	(940 000)	-	(940 000)
Transfers withheld during the period	-	(206 998)	-	(206 998)
	-	-	-	-

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

Grant was made available by National Local Government to help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA),2000.

Intergovernmental District Forum

Balance unspent at beginning of year	-	-	-	2 187
Conditions met - transferred to revenue: operating expenses	-	-	-	(2 187)
	-	-	-	-

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

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

Intergrated Waste Management / Environmental

Balance unspent at beginning of year	-	430 395	-	430 395

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Conditions met - transferred to revenue: operating expenses	-	(430 395)	-	(430 395)
	-	-	-	-

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

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.

Ugu Broadband Project

Balance unspent at beginning of year	-	144 019	-	144 019
Conditions met - transferred to revenue: operating expenses	-	(144 019)	-	(144 019)
	-	-	-	-

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

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

Emerging Contractors NPC

Balance unspent at beginning of year	-	129 000	-	129 000
Conditions met - transferred to revenue: operating expenses	-	(129 000)	-	(129 000)
	-	-	-	-

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

The purpose of this grant was to enhance rural economic development and broad-based community information dissemination and empowerment.

Ugu Timber Study Project

Balance unspent at beginning of year	-	38 582	-	38 582
Conditions met - transferred to revenue: operating expenses	-	(38 582)	-	(38 582)
	-	-	-	-

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

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area.

Ugu Craft Commercialisation Project

Balance unspent at beginning of year	-	6 650	-	6 650
Conditions met - transferred to revenue: operating expenses	-	(6 650)	-	(6 650)
	-	-	-	-

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

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

Rain Water Harvesting- Umzumbe

Balance unspent at beginning of year	-	15 456	-	15 456
Conditions met - transferred to revenue: operating expenses	-	(15 456)	-	(15 456)
	-	-	-	-

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

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.

DWAF : Refurbish Rural Water Schemes

Balance unspent at beginning of year	3 650 000	1 342 653	3 650 000	1 342 653
Current-year receipts	-	3 650 000	-	3 650 000
Conditions met - transferred to revenue: operating expenses	(3 650 000)	(1 342 653)	(3 650 000)	(1 342 653)
	-	**3 650 000**	-	**3 650 000**

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

DWAF grants are aimed at supplementing municipal budgets to assist with the refurbishment of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan.

Expanded Public Works Programme

Balance unspent at beginning of year	-	326 424	-	326 424
Current-year receipts	1 788 000	1 826 000	1 788 000	1 826 000
Conditions met - transferred to revenue: operating expenses	(1 788 000)	(1 826 000)	(1 788 000)	(1 826 000)
Transfers withheld during the period	-	(326 424)	-	(326 424)
	-	-	-	-

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

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

Local Economic Development (LED) Grant

Balance unspent at beginning of year	-	502 583	-	502 583
Conditions met - transferred to revenue: operating expenses	-	(502 583)	-	(502 583)
	-	-	-	-

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