Buffalo City Metropolitan Municipality
Audited Consolidated Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality	
Nature of business and principal activities	Local Government	
Jurisdiction	The demarcation board has determined that Buffalo City Metropolitan Municipality (BUF) includes the towns of East London, Bhisho, Qonce, Ntabozuko as well as the townships of Mdantsane, Gompo, Zwelitsha, Dimbaza, Phakamisa, Ndevana, Ilitha, Ginsberg and the surrounding rural areas.	
Mayoral committee		
Executive Mayor	Councillor P. Faku	
Councillors	Councillor M. Mfazwe - Human Settlements	
	Councillor S. Matwele - Spatial Planning & Development	
	Councillor N. Maxongo - Financial Services	
	Councillor S. Ntsasela - Economic Development & Agencies	
	Councillor M. Basopu - Corporate Services	
	Councillor A. Mnyute - Public Safety and Emergency Services	
	Councillor Y. Tyali - Infrastructure Services	
	Councillor G. Lottering - Sports, Recreation and Community Development	
	Councillor C. Yekiso-Morolong - Solid Waste and Environmental Management	
Grading of local authority	Grade 6 Municipality	
City Manager / Accounting Officer	Mr. M. Yawa	
Acting Chief Financial Officer (ACFO)	Mr. V. Pillay	
Business address	Trust Centre Oxford Street East London 5201	
Postal address	PO Box 134 East London 5200	
Bankers	Standard Bank	
Auditors	Auditor General of South Africa	
Members of the Audit Committee	Mr. Z. Luswazi (Chairperson)	- appointment 04 February 2024 - resigned 08 August 2025
	Mr. B. Khohliso (Member)	- appointment 04 February 2024
	Mr. W. Mushohwe (Member)	- appointment 04 February 2024
	Ms. F.J. Mudau (Member)	- appointment 04 February 2024
	Rev. N.V. Madyibi (Member)	- appointment 04 February 2024
	Adv. M.G. Mello (Member)	- appointment 04 February 2024
	Mr. G. Son (Member)	- appointment 04 February 2024 - resigned 24 June 2025
Legislation Governing the Municipality	The Constitution of the Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007) Framework envisaged in section 219 of the Constitution of South Africa	

Index

The reports and statements set out below comprise the audited consolidated annual financial statements presented to the Council:

Abbreviations used:

BCMDA	Buffalo City Metropolitan Development Agency
BCMM	Buffalo City Metropolitan Municipality
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
ELIDZ	East London Industrial Development Zone
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
GTAC	Government Technical Advisory Centre
HDA	Housing Development Agency
KWT	King William's Town
mSCOA	Municipal Standard Chart of Accounts
MFMA	Municipal Finance Management Act
MEC	Member of Executive Council
MIG	Municipal Infrastructure Grant
NT	National Treasury
PAYE	Pay As You Earn
SARS	South African Revenue Service
SAMWU	South African Municipal Workers' Union
SDL	Skills Development Levy
SEZ	Special Economic Zone
VAT	Value-Added Tax

Accounting Officer's Responsibilities and Approval

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 audited consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The accounting officer is primarily responsible for the financial affairs of the municipality, and is supported by the economic entity's Senior management team.

The unaudited consolidated annual financial statements set out on page 4 - 127, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2025.

Accounting Officer
Mr. M. Yawa

Statement of Financial Position as at 30 June 2025

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2025	2024 Restated*	2025	2024 Restated*
Assets					
Current Assets					
Inventories	8	64 218 925	69 398 396	64 175 801	69 346 670
Receivables from non-exchange transactions	9&11	1 476 419 212	1 332 159 010	1 476 131 238	1 332 159 009
Receivables from exchange transactions	10&11	1 976 521 662	1 877 690 832	1 976 140 896	1 876 339 449
Cash and cash equivalents	12	731 028 583	720 986 557	697 781 225	683 762 515
		4 248 188 382	**4 000 234 795**	**4 214 229 160**	**3 961 607 643**
Non-Current Assets					
Investment property	3	788 463 001	768 451 001	788 463 001	768 451 001
Property, plant and equipment	4	40 887 139 397	42 104 638 807	40 886 649 360	42 103 617 326
Intangible assets	5	11 697 819	6 819 423	11 288 242	6 336 074
Heritage assets	6	53 391 845	54 166 071	53 391 845	54 166 071
Investments in controlled entities	7	-	-	100	100
Investments in associates	7	725 412 562	727 388 487	725 412 562	727 388 487
		42 466 104 624	**43 661 463 789**	**42 465 205 110**	**43 659 959 059**
Total Assets		**46 714 293 006**	**47 661 698 584**	**46 679 434 270**	**47 621 566 702**
Liabilities					
Current Liabilities					
Operating lease liability	15	65 981	152 657	-	-
Employee benefit obligation	16	66 373 000	66 698 000	66 373 000	66 698 000
Unspent conditional grants and receipts	17	166 229 116	28 379 357	165 952 988	23 465 598
Borrowings	18	25 085 847	28 813 896	25 085 847	28 813 896
Finance lease obligation	19	55 669	157 612	-	-
Provisions	20	407 272 855	382 021 140	406 201 866	380 950 151
Trade payables from exchange transactions	21	1 622 830 479	1 767 792 454	1 615 914 366	1 756 106 063
Consumer deposits	22	89 974 403	87 137 643	89 974 403	87 137 643
		2 377 887 350	**2 361 152 759**	**2 369 502 470**	**2 343 171 351**
Non-Current Liabilities					
Other liabilities	14	273 911 368	253 912 263	273 911 368	253 912 263
Employee benefit obligation	16	861 290 000	770 563 000	861 290 000	770 563 000
Borrowings	18	54 707 887	79 793 735	54 707 887	79 793 735
Finance lease obligation	19	-	55 669	-	-
Provisions	20	135 496 554	108 298 655	135 496 554	108 298 655
		1 325 405 809	**1 212 623 322**	**1 325 405 809**	**1 212 567 653**
Total Liabilities		**3 703 293 159**	**3 573 776 081**	**3 694 908 279**	**3 555 739 004**
Net Assets		**43 010 999 847**	**44 087 922 503**	**42 984 525 991**	**44 065 827 698**
Reserves					
Revaluation reserve	13	10 580 599 041	12 342 616 020	10 580 599 041	12 342 616 020
Accumulated surplus		32 430 400 806	31 745 306 483	32 403 926 950	31 723 211 678
Total Net Assets		**43 010 999 847**	**44 087 922 503**	**42 984 525 991**	**44 065 827 698**

* See Note 59

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2025	2024 Restated*	2025	2024 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	26	4 994 155 198	4 168 382 828	4 994 155 198	4 168 382 828
Rental of facilities and equipment	27	31 260 642	23 136 005	31 260 642	23 136 005
Construction contract	28	70 202 832	91 712 399	70 202 832	91 712 399
Agency services	29	21 002 430	18 764 272	21 002 430	18 764 272
Other revenue (exchange)	30	88 912 138	83 056 771	88 912 059	83 056 471
Interest received	31	330 251 231	318 511 071	327 534 397	316 825 063
Total revenue from exchange transactions		**5 535 784 471**	**4 703 563 346**	**5 533 067 558**	**4 701 877 038**
Revenue from non-exchange transactions					
Property rates	33	2 169 014 672	2 105 248 187	2 169 014 672	2 105 248 187
Licences and Permits (non-exchange)	34	16 427 152	13 684 835	16 427 152	13 684 835
Service charges - Availability charges	32	54 817 667	37 957 882	54 817 667	37 957 882
Interest (non-exchange)	35	123 854 204	111 040 240	123 854 204	111 040 240
Government grants & subsidies	36	2 183 419 288	2 137 507 114	2 178 380 824	2 122 290 044
Other revenue (non-exchange)	37	100 262 447	98 250 726	100 262 447	98 250 726
Public contributions and donations	25	5 666 429	22 409 060	5 666 429	22 409 060
Fines	25	56 647 107	65 437 669	56 647 107	65 437 669
Fuel levy	25	777 132 000	741 926 000	777 132 000	741 926 000
Total revenue from non-exchange transactions		**5 487 240 966**	**5 333 461 713**	**5 482 202 502**	**5 318 244 643**
Total revenue	25	**11 023 025 437**	**10 037 025 059**	**11 015 270 060**	**10 020 121 681**
Expenditure					
Employee related costs	38	(2 795 223 282)	(2 740 422 464)	(2 768 590 282)	(2 696 701 705)
Remuneration of councillors/directors	39	(71 884 626)	(72 891 681)	(70 373 311)	(70 899 480)
Inventory consumed	40	(345 883 282)	(331 267 041)	(345 883 282)	(331 234 270)
Depreciation and amortisation	41	(1 628 459 077)	(1 624 848 736)	(1 627 834 153)	(1 623 765 308)
Finance costs	43	(44 468 214)	(46 210 625)	(44 448 679)	(46 183 512)
Debt Impairment	45	(1 987 595 727)	(1 291 454 455)	(1 987 595 727)	(1 291 454 455)
Bulk purchases	46	(2 631 543 066)	(2 252 355 443)	(2 631 543 066)	(2 252 355 443)
Repairs and maintenance	47	(379 954 307)	(429 930 301)	(379 398 230)	(429 911 161)
Contracted services	48	(512 175 551)	(390 431 882)	(504 005 484)	(381 749 115)
Grants and subsidies paid	49	(61 780 270)	(71 316 468)	(102 001 041)	(131 530 965)
General expenses	50	(640 746 374)	(632 496 974)	(634 672 748)	(625 158 431)
Total expenditure		**(11 099 713 776)**	**(9 883 626 070)**	**(11 096 346 003)**	**(9 880 943 845)**
Operating (deficit) surplus		**(76 688 339)**	**153 398 989**	**(81 075 943)**	**139 177 836**
Net gain/(loss) on derecognition of assets	4	(10 605 810)	(299 062 531)	(10 605 810)	(299 063 825)
Inventories losses/write-downs	55	(187 975 551)	(148 218 824)	(187 966 948)	(148 230 590)
Fair value adjustments	51	20 012 000	307 489 401	20 012 000	307 489 401
Impairment loss	42	(734 393 805)	(52 608 336)	(734 393 805)	(52 608 336)
Share of surpluses or (deficits) from associates	7	(1 975 925)	42 275 674	(1 975 925)	42 275 674
		(914 939 091)	**(150 124 616)**	**(914 930 488)**	**(150 137 676)**
(Deficit) surplus for the year		**(991 627 430)**	**3 274 373**	**(996 006 431)**	**(10 959 840)**

* See Note 59

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Economic entity			
Opening balance as previously reported	16 454 472 359	10 436 314 970	26 890 787 329
Adjustments			
Prior year adjustments (note 59)	(14 420 795 494)	20 676 305 955	6 255 510 461
Balance at 01 July 2023 as restated*	**2 033 676 865**	**31 112 620 925**	**33 146 297 790**
Changes in net assets			
Surplus for the year	-	3 274 373	3 274 373
Prior period error	(629 411 185)	629 411 185	-
Revaluation	10 938 350 340	-	10 938 350 340
Total changes	10 308 939 155	632 685 558	10 941 624 713
Restated* Balance at 01 July 2024	**12 342 616 020**	**31 745 306 474**	**44 087 922 494**
Changes in net assets			
(Deficit) for the year	-	(991 627 430)	(991 627 430)
Adjustment	(1 762 016 978)	1 676 721 762	(85 295 216)
Total changes	(1 762 016 978)	685 094 332	(1 076 922 646)
Balance at 30 June 2025	**10 580 599 042**	**32 430 400 806**	**43 010 999 848**
Note(s)	13	59	
Controlling entity			
Opening balance as previously reported	16 454 472 359	10 429 440 708	26 883 913 067
Adjustments			
Prior year adjustments (note 59)	(14 420 795 494)	20 675 319 625	6 254 524 131
Balance at 01 July 2023 as restated*	**2 033 676 865**	**31 104 760 333**	**33 138 437 198**
Changes in net assets			
(Deficit) for the year	-	(10 959 840)	(10 959 840)
Prior period error	(629 411 185)	629 411 185	-
Revaluation	10 938 350 340	-	10 938 350 340
Total changes	10 308 939 155	618 451 345	10 927 390 500
Restated* Balance at 01 July 2024	**12 342 616 020**	**31 723 211 671**	**44 065 827 691**
Changes in net assets			
(Deficit) for the year	-	(996 006 431)	(996 006 431)
Adjustment	(1 762 016 978)	1 676 721 710	(85 295 268)
Total changes	(1 762 016 978)	680 715 279	(1 081 301 699)
Balance at 30 June 2025	**10 580 599 042**	**32 403 926 950**	**42 984 525 992**
Note(s)	13	59	

* See Note 59

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2025	2024 Restated*	2025	2024 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services	72	6 254 280 690	5 858 112 018	6 253 597 967	5 864 573 394
Government grants and subsidies	72	2 321 269 048	2 145 833 433	2 320 868 214	2 127 056 406
Interest income	35&31	354 638 700	356 842 550	351 921 866	355 156 543
		8 930 188 438	8 360 788 001	8 926 388 047	8 346 786 343
Payments					
Employee costs & Councillors remuneration	72	(2 778 073 479)	(2 744 221 407)	(2 749 929 164)	(2 698 593 131)
Suppliers and other payments	72	(4 951 704 041)	(4 419 320 428)	(4 972 268 139)	(4 468 950 877)
Finance costs	43	(9 577 431)	(12 107 483)	(9 577 430)	(12 107 484)
		(7 739 354 951)	(7 175 649 318)	(7 731 774 733)	(7 179 651 492)
Net cash flows from operating activities	53	**1 190 833 487**	**1 185 138 683**	**1 194 613 314**	**1 167 134 851**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 222 161 514)	(1 112 414 356)	(1 222 141 805)	(1 111 934 582)
Proceeds from sale of property, plant and equipment	4	77 752 400	30 434	77 752 400	-
Purchase of other intangible assets	5	(7 391 303)	(197 463)	(7 391 303)	-
Purchase of heritage assets	6	-	(1 180 000)	-	(1 180 000)
Net cash flows from investing activities		**(1 151 800 417)**	**(1 113 761 385)**	**(1 151 780 708)**	**(1 113 114 582)**
Cash flows from financing activities					
Repayment of borrowings	18	(28 813 897)	(30 246 177)	(28 813 896)	(30 246 177)
Finance lease payments		(177 147)	(119 561)	-	-
Net cash flows from financing activities		**(28 991 044)**	**(30 365 738)**	**(28 813 896)**	**(30 246 177)**
Net increase/(decrease) in cash and cash equivalents		**10 042 026**	**41 011 560**	**14 018 710**	**23 774 092**
Cash and cash equivalents at the beginning of the year		720 986 557	679 974 997	683 762 515	659 988 423
Cash and cash equivalents at the end of the year	12	**731 028 583**	**720 986 557**	**697 781 225**	**683 762 515**

* See Note 59

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	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	Reference
Economic entity - 2025											
Financial Performance											
Property rates	2 269 496 542	-	2 269 496 542	-		2 269 496 542	2 169 014 672		(100 481 870)	96 %	
Service charges	4 886 537 464	-	4 886 537 464	-		4 886 537 464	4 994 155 199		107 617 735	102 %	
Investment revenue	25 655 547	46 541 795	72 197 342	-		72 197 342	72 214 660		17 318	100 %	
Transfers recognised - operational	1 636 166 824	136 994 512	1 773 161 336	-		1 773 161 336	1 520 802 991		(252 358 345)	86 %	N1
Other own revenue	1 316 954 914	-	1 316 954 914	-		1 316 954 914	1 558 575 193		241 620 279	118 %	N2
Total revenue (excluding capital transfers and contributions)	**10 134 811 291**	**183 536 307**	**10 318 347 598**	**-**		**10 318 347 598**	**10 314 762 715**		**(3 584 883)**	**100 %**	
Employee costs	(2 937 653 875)	109 992 221	(2 827 661 654)	-	-	(2 827 661 654)	(2 780 894 285)	-	46 767 369	98 %	
Remuneration of councillors	(77 685 849)	7 312 539	(70 373 310)	-	-	(70 373 310)	(70 373 310)	-	-	100 %	
Debt impairment	(1 681 728 272)	(249 655 441)	(1 931 383 713)			(1 931 383 713)	(1 987 595 727)	(56 212 014)	(56 212 014)	103 %	
Depreciation and asset impairment	(2 001 862 441)	171 925 127	(1 829 937 314)			(1 829 937 314)	(2 362 852 884)	(532 915 570)	(532 915 570)	129 %	N3
Finance charges	(8 966 469)	321	(8 966 148)	-	-	(8 966 148)	(44 468 216)	(35 502 068)	(35 502 068)	496 %	N4
Inventory consumed and bulk purchases	(3 112 589 989)	147 381 705	(2 965 208 284)	-	-	(2 965 208 284)	(2 984 144 388)	(18 936 104)	(18 936 104)	101 %	
Transfers and grants	(142 580 580)	8 844 266	(133 736 314)	-	-	(133 736 314)	(102 001 039)	-	31 735 275	76 %	N5
Other expenditure	(1 600 794 994)	(379 337 054)	(1 980 132 048)	-	-	(1 980 132 048)	(1 750 790 701)	-	229 341 347	88 %	
Total expenditure	**(11 563 862 469)**	**(183 536 316)**	**(11 747 398 785)**	**-**	**-**	**(11 747 398 785)**	**(12 083 120 550)**	**(643 565 756)**	**(335 721 765)**	**103 %**	
Surplus/(Deficit)	**(1 429 051 178)**	**(9)**	**(1 429 051 187)**	**-**		**(1 429 051 187)**	**(1 768 357 835)**		**(339 306 648)**	**124 %**	

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	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	Reference
Transfers recognised - capital	788 563 251	112 636 100	901 199 351	-		901 199 351	773 039 901		(128 159 450)	86 %	N6
Contributions recognised - capital and contributed assets	-	-	-	-		-	5 666 429		5 666 429		N7
Surplus (Deficit) after capital transfers and contributions	**(640 487 927)**	**112 636 091**	**(527 851 836)**	**-**		**(527 851 836)**	**(989 651 505)**		**(461 799 669)**	**187 %**	
Share of surplus (deficit) of associate	-	-	-	-		-	(1 975 925)		(1 975 925)		N8
Surplus/(Deficit) for the year	**(640 487 927)**	**112 636 091**	**(527 851 836)**	**-**		**(527 851 836)**	**(991 627 430)**		**(459 823 744)**	**188 %**	N9

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	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	Reference
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	788 563 251	112 636 092	901 199 343	-		901 199 343	773 039 901		(128 159 442)	86 %	N10
Internally generated funds	442 551 560	68 489 061	511 040 621	-		511 040 621	527 854 509		16 813 888	103 %	
Total sources of capital funds	**1 231 114 811**	**181 125 153**	**1 412 239 964**	**-**		**1 412 239 964**	**1 300 894 410**		**(111 345 554)**	**92 %**	
Financial position											
Total current assets	5 898 347 194	8 421 933	5 906 769 127	-		5 906 769 127	4 248 188 382		(1 658 580 745)	72 %	N11
Total non-current assets	25 806 386 492	5 811 876 302	31 618 262 794	-		31 618 262 794	42 466 104 624		10 847 841 830	134 %	N12
Total current liabilities	(3 838 978 247)	93 105 929	(3 745 872 318)	-		(3 745 872 318)	(2 377 887 350)		1 367 984 968	63 %	N13
Total non-current liabilities	(1 001 294 829)	1 175 746	(1 000 119 083)	-		(1 000 119 083)	(1 325 405 809)		(325 286 726)	133 %	N14
Community wealth/Equity	**26 864 460 610**	**5 914 579 910**	**32 779 040 520**	**-**		**32 779 040 520**	**43 010 999 847**		**10 231 959 327**	**131 %**	
Cash flows											
Net cash from (used) operating	1 321 338 841	248 748 969	1 570 087 810	-		1 570 087 810	1 190 833 487		(379 254 323)	76 %	N15
Net cash from (used) investing	(1 230 864 811)	(181 394 859)	(1 412 259 670)	-		(1 412 259 670)	(1 151 800 417)		260 459 253	82 %	N16
Net cash from (used) financing	(25 539 696)	(177 147)	(25 716 843)	-		(25 716 843)	(28 991 044)		(3 274 201)	113 %	N17
Net increase/(decrease) in cash and cash equivalents	**64 934 334**	**67 176 963**	**132 111 297**	**-**		**132 111 297**	**10 042 026**		**(122 069 271)**	**8 %**	
Cash and cash equivalents at the beginning of the year	726 982 135	(9 775 407)	717 206 728	-		717 206 728	720 986 557		3 779 829	101 %	
Cash and cash equivalents at year end	**791 916 469**	**57 401 556**	**849 318 025**	**-**		**849 318 025**	**731 028 583**		**(118 289 442)**	**86 %**	N18

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	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	Reference
Controlling entity - 2025											
Financial Performance											
Property rates	2 269 496 542	-	2 269 496 542	-		2 269 496 542	2 169 014 672		(100 481 870)	96 %	
Service charges	4 886 537 464	-	4 886 537 464	-		4 886 537 464	4 994 155 199		107 617 735	102 %	
Investment revenue	24 000 000	45 480 505	69 480 505	-		69 480 505	69 497 826		17 321	100 %	
Transfers recognised - operational	1 548 936 865	135 409 611	1 684 346 476	-		1 684 346 476	1 475 543 756		(208 802 720)	88 %	N1
Other own revenue	1 316 954 914	-	1 316 954 914	-		1 316 954 914	1 558 575 114		241 620 200	118 %	N2
Total revenue (excluding capital transfers and contributions)	**10 045 925 785**	**180 890 116**	**10 226 815 901**	**-**		**10 226 815 901**	**10 266 786 567**		**39 970 666**	**100 %**	
Employee costs	(2 888 237 670)	103 806 512	(2 784 431 158)	-	-	(2 784 431 158)	(2 752 943 261)	-	31 487 897	99 %	
Remuneration of councillors	(77 685 849)	7 312 539	(70 373 310)	-	-	(70 373 310)	(70 373 311)	-	(1)	100 %	
Debt impairment	(1 681 728 272)	(249 655 441)	(1 931 383 713)			(1 931 383 713)	(1 987 595 727)	(56 212 014)	(56 212 014)	103 %	
Depreciation and asset impairment	(2 001 344 233)	172 055 127	(1 829 289 106)			(1 829 289 106)	(2 362 227 960)	(532 938 854)	(532 938 854)	129 %	N3
Finance charges	(8 964 052)	2	(8 964 050)	-	-	(8 964 050)	(44 448 681)	(35 484 631)	(35 484 631)	496 %	N4
Inventory consumed and bulk purchases	(3 109 421 815)	147 464 706	(2 961 957 109)	-	-	(2 961 957 109)	(2 984 144 388)	(22 187 279)	(22 187 279)	101 %	
Transfers and grants	(142 580 580)	9 294 266	(133 286 314)	-	-	(133 286 314)	(102 001 041)	-	31 285 273	77 %	N5
Other expenditure	(1 565 014 492)	(371 167 836)	(1 936 182 328)	-	-	(1 936 182 328)	(1 735 789 033)	-	200 393 295	90 %	
Total expenditure	**(11 474 976 963)**	**(180 890 125)**	**(11 655 867 088)**	**-**	**-**	**(11 655 867 088)**	**(12 039 523 402)**	**(646 822 778)**	**(383 656 314)**	**103 %**	
Surplus/(Deficit)	**(1 429 051 178)**	**(9)**	**(1 429 051 187)**	**-**		**(1 429 051 187)**	**(1 772 736 835)**		**(343 685 648)**	**124 %**	

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	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	Reference
Transfers recognised - capital	788 563 251	112 636 100	901 199 351	-		901 199 351	773 039 901		(128 159 450)	86 %	N6
Contributions recognised - capital and contributed assets	-	-	-	-		-	5 666 429		5 666 429	- %	N7
Surplus (Deficit) after capital transfers and contributions	**(640 487 927)**	**112 636 091**	**(527 851 836)**	**-**		**(527 851 836)**	**(994 030 505)**		**(466 178 669)**	**188 %**	
Share of surplus (deficit) of associate	-	-	-	-		-	(1 975 925)		(1 975 925)	- %	N8
Surplus/(Deficit) for the year	**(640 487 927)**	**112 636 091**	**(527 851 836)**	**-**		**(527 851 836)**	**(996 006 430)**		**(468 154 594)**	**189 %**	N9
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	788 563 251	112 636 092	901 199 343	-		901 199 343	773 039 901		(128 159 442)	86 %	N10
Internally generated funds	442 301 560	68 489 060	510 790 620	-		510 790 620	527 835 236		17 044 616	103 %	
Total sources of capital funds	**1 230 864 811**	**181 125 152**	**1 411 989 963**	**-**		**1 411 989 963**	**1 300 875 137**		**(111 114 826)**	**92 %**	
Financial position											
Sources of capital funds											
Total current assets	5 878 025 460	(6 814 561)	5 871 210 899	-		5 871 210 899	4 214 229 160		(1 656 981 739)	72 %	N11
Total non-current assets	25 804 714 331	5 812 648 846	31 617 363 177	-		31 617 363 177	42 465 205 110		10 847 841 933	134 %	N12
Total current liabilities	(3 802 171 668)	74 631 570	(3 727 540 098)	-		(3 727 540 098)	(2 369 502 470)		1 358 037 628	64 %	N13
Total non-current liabilities	(996 720 980)	(3 398 103)	(1 000 119 083)	-		(1 000 119 083)	(1 325 405 809)		(325 286 726)	133 %	N14
Community wealth/Equity	**26 883 847 143**	**5 877 067 752**	**32 760 914 895**	**-**		**32 760 914 895**	**42 984 525 991**		**10 223 611 096**	**131 %**	

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	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	Reference
Cash flows											
Net cash from (used) operating	1 321 338 841	248 748 969	1 570 087 810	-		1 570 087 810	1 194 613 314		(375 474 496)	76 %	N15
Net cash from (used) investing	(1 230 864 811)	(181 375 151)	(1 412 239 962)	-		(1 412 239 962)	(1 151 780 708)		260 459 254	82 %	N16
Net cash from (used) financing	(25 539 696)	-	(25 539 696)	-		(25 539 696)	(28 813 896)		(3 274 200)	113 %	N17
Net increase/(decrease) in cash and cash equivalents	**64 934 334**	**67 373 818**	**132 308 152**	**-**		**132 308 152**	**14 018 710**		**(118 289 442)**	**11 %**	
Cash and cash equivalents at the beginning of the year	726 982 135	(43 219 620)	683 762 515	-		683 762 515	683 762 515		-	100 %	
Cash and cash equivalents at year end	**791 916 469**	**24 154 198**	**816 070 667**	**-**		**816 070 667**	**697 781 225**		**118 289 442**	**86 %**	N18

Statement of Comparison of Budget and Actual Amounts

Reasons for significant variances greater that 10% shown on the Statement of Comparison of Budget and Actual Amounts are detailed below:

N1 - (Transfers recognised - operational) – The transfers recognised relate to grants and subsidies received as well as revenue recognised on grant funded operating projects. Revenue from grant funded projects is recognised as the expenditure is incurred, the low expenditure on grant funded projects has resulted in revenue realised being less than anticipated. The major contributing grant is Human Settlements Development Grant – revenue arise from funds received from the Eastern Cape Department of Human Settlements for the development and construction of housing units. Contractual disputes and slow progress by contractors on site contribute to the underperformance on revenue.

N2 - (Other own revenue) – Other own revenue is made up of numerous revenue items. The contributing items to the variance are the following:

- Interest earned from Receivables - the debtor's book is increasing due to non-payment of debtors. The increase in debtor's results in an increase in interest charges, despite credit control action being implemented.
- Fines, penalties and forfeits - The increase in revenue can be attributed to the Automatic Number Plate Recognition (ANPR) unit's daily operations for the collection of outstanding traffic fines. The ANPR utilizes state of the technology to detect an offender at a roadblock who in turn is informed of their fines and are given the options to either pay at the ANPR pay point or if the offender wishes he/she can contest their fines and submit a representation.

N3 - (Depreciation and asset impairment) – BCMM transferred a significant amount of completed assets out of the work in progress register to the completed asset register and there was a depreciation impact. Additionally, assets were assessed for impairment and an impairment was recognised.

N4 - (Finance charges) - An amount of R35m relates to accrued interest in respect of the Landfill Provision. The interest cost to close the landfill sites is an estimate and it's a cost that will be incurred in about 20-25 years' time. The time value of money is material, so you have to discount it using the municipality's borrowing rate (R8.3%pa, with minor adjustments for risk).

N5 - (Transfers and grants) - BCMM had budgeted to receive donor funding of R32m for Duncan Village Buy Back Centre which is funded through the European Union grant funding. The project is being implemented by BCMDA, funding was never received from National Treasury in the year under review.

N6 - (Transfers recognised – capital) - During the mid-year budget adjustment process in February 2025, additional funding was appropriated into the budget, grants affected are Municipal Disaster Recovery Grant and Municipal Disaster Response Grant. The municipality was unable to fully spend the allocation of these grants; however, the funds are already fully committed to identifiable projects.

N7 - (Contributions recognised – capital and contributed assets) - In the 2024/2025 financial year the City received donations of Electrical assets and computer assets that could not have been anticipated and therefore the donations were not budgeted for.

N8 - (Share of surplus (deficit) of associate) – There was a deficit realised by the East London Industrial Development Zone at 26% share price held by Buffalo City Metropolitan Municipality resulting in R1 975 925 deficit for the year ended June 2025.

N9 - (Surplus/(Deficit)) for the year - The deficit that has been incurred by the Metro is mainly caused by two non-cash items - Depreciation & amortisation and Debt impairment.

- Depreciation & and asset impairment: BCMM transferred a significant amount of completed assets out of the work in progress register to the completed asset register and there was a depreciation impact. Additionally, assets were assessed for impairment and an impairment was recognised.
- Debt impairment: The increase is due to rise in debtors primarily due to non-payment by customers within the financial year.

N10 - (Transfers recognised – Capital) - During the mid-year budget adjustment process in February 2025, additional funding was appropriated into the budget, grants affected are Municipal Disaster Recovery Grant and Municipal Disaster Response Grant. The municipality was unable to fully spend the allocation of these grants; however, the funds are already fully committed to identifiable projects.

N11 - (Total current assets) - The reason for the variance is VAT payable and receivable disclosed separately for NT mSCOA budgeting purposes and combined and grouped together for GRAP reporting.

N12 - (Total non-current assets) – The increase is due to annualised revaluation of assets.

N13 - (Total current liabilities) – The reason for the variance is VAT payable and receivable disclosed separately for NT mSCOA budgeting purposes and combined and grouped together for GRAP reporting. Also, the East and West Bank funds have been moved from current liabilities to non-current liabilities.

N14 - (Total non-current liabilities) – The reason for the variance is that the Metro moved the East and West Bank funds from current liabilities to non-current liabilities and there was a bigger than expected increase in employee benefit obligation (noncurrent portion).

N15 - (Net cash from (used) operating) - A significant decrease in collection ratio. Achieved collection ratio is 70.47% versus budgeted collection ratio of 77% and increase in operating costs.

N16 - (Net cash from (used) investing) - Low spending on CAPEX and unanticipated increase in CAPEX budget due to additional funding received from Municipal Disaster Recovery Grant and Municipal Disaster Response Grant. However, the majority of these funds are committed as at 30 June 2025.

N17 - (Net cash from (used) financing) - Significant reduction on financing costs as the loan capital amount reduces.

N18 - (Cash / cash equivalents at the year-end) – A cash improvement of R14 million is observed, however, a decrease in collection ratio from 77% budgeted to a 70.47% actual has affected the outcome.

1. Presentation of Audited Consolidated Annual Financial Statements

The audited 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).

These audited 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. They are presented in South African Rand.

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

1.1 Going concern assumption

These audited consolidated annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months. Management considers key financial metrics and approved medium-term budgets, together with the municipality's dependency on the grants from National and Provincial government, to conclude that the going concern assumptions used in the compilation of its annual financial statements, is appropriate.

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The economic entity assesses its trade receivables, held to maturity 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, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the notes to the financial statements per inventory note 8.

Fair value estimation

The valuation of assets is based on management's estimation based on the valuation techniques and market information available. The actual value of assets could differ from the estimate.

Fair value estimates require management to make certain assumptions which are also subject to change.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Useful lives and residual values of assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Employee benefit obligation

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

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post-retirement obligation.

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for doubtful debts

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

Cash and non-cash generating assets

The municipality is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff, although net positive cash flows are achieved from electricity service charges.

The municipality receives rental income from investment property. Commercial return from positive cash flows is not expected to be significantly higher than the cost of the asset.

Management assessed this as immaterial and regards all assets to meet the definition of non-cash generating assets.

Service charges

Service Charges relating to electricity and water are based on consumption. Estimates are raised where actual readings cannot be taken and these are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. Waste removal is based on the size of the bin and the number of times it is collected. Waste water is based on the size of the erf for residential customers. For business customers, an area charge plus a charge per pan, including, where applicable a Trade Effluent charge is raised based on water consumption. All Service Charges are billed monthly.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

1.3 Investment property (continued)

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

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

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

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

Fair value

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

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

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

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:
- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

The initial cost of a property interest held under a lease and classified as an investment property has been recognised at the lower of the fair value of the property and the present value of the minimum lease payments.

1.4 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

1.4 Property, plant and equipment (continued)

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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land, buildings, other properties, community properties, roads, electricity, water and wastewater which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value except for furniture and fittings, which are depreciated using the diminishing balance method at 10% per annum.

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

Item	Depreciation method	Average useful life or % of use
Land	Straight-line	Indefinite
Buildings	Straight-line	30 to 60
Plant and machinery	Straight-line	3 to 30
Furniture and fittings	Diminishing balance	10%
Motor vehicles	Straight-line	4 to 15
Electricity	Straight-line	30 to 60
Community - Buildings	Straight-line	30 to 60
Community - Recreation	Straight-line	15 to 60
Other properties	Straight-line	5 to 60
Roads	Straight-line	5 to 100
Wastewater network	Straight-line	5 to 80
Water network	Straight-line	5 to 150

The Municipality acquires and maintains assets to provide social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than that of certain Plant and Equipment, and Transport assets with significant carrying values. For Plant and Equipment and Transport assets (Above R5000) the residual value and the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised prospectively as a change in accounting estimates in the Statement of Financial Performance.

Motorised plant and machinery is accounted for under motor vehicles, due to the nature of their use.

1.4 Property, plant and equipment (continued)

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 municipality 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 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 and will be classified as revenue. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end, and the assets are available-for-sale. These assets are not accounted for as non-current assets held 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 municipality.

Servitudes are recognised as a component of property, plant and equipment as it is directly linked to the location and construction of infrastructure assets.

1.5 Site restoration and dismantling cost

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

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit.
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

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

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

Intangible assets are initially recognised at cost.

When an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Accounting Policies

1.6 Intangible assets (continued)

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Item	Amortisation method	Average useful life
Computer software	Straight-line	3 to 10

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

1.7 Heritage assets

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

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.

In terms of Section 39 of the National Heritage Resources Act, 1999 (Act No. 25 of 1999) (NHRA), the South African Heritage Resource Agency (SAHRA) is required to compile and maintain an inventory of the national estate, defined as heritage resources of cultural and other significance. This information is contained in the South African Heritage Resources Information System (SAHRIS) and is available on SAHRA's website.

Not all assets that are designated as heritage assets in terms of the NHRA are classified as a heritage asset in terms of GRAP 103. Buffalo City Metropolitan Municipality assessed the items included in the SAHRIS using the criteria prescribed in GRAP 103 before classifying the assets as a heritage in terms of GRAP 103. The item must meet the definition of a heritage asset in GRAP 103 and the item must not be excluded from the scope of GRAP 103.02. When the heritage asset has more than one purpose, the city determines its primary purpose and treats the asset as Heritage Asset and account for it using GRAP 103 if the primary purpose falls within GRAP 103, even if other purposes can fall under another GRAP standard.

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

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

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.

1.7 Heritage assets (continued)

Recognition

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

If a municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable 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 economic entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Accounting Policies

1.8 Interests in other entities

Investment in controlled entities

Municipal controlled entities are those entities which the City owns or over whose financial and operating policies it has the power to exercise beneficial control. Buffalo City Metropolitan Development Agency is wholly owned by the City. Refer to note 7.

In the controlling entity's annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

Investments in associates

An associate is an entity over which the municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investment, but is not in control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the extent of the municipality's or its municipal entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the municipality is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

The municipality uses the most recent available financial statements of the associate in applying the equity method.

Impairment losses

After application of the equity method, including recognising the associate’s deficits, the municipality applies the Standard of GRAP on Financial Instruments to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. The municipality also applies the Standard of GRAP on Financial Instruments to determine whether any additional impairment loss is recognised with respect to its interest in the associate that does not constitute part of the net investment and the amount of that impairment loss. Whenever application of the Standard of GRAP on Financial Instruments indicates that the investment in an associate may be impaired, the municipality applies the Standard of GRAP on Impairment of Cash-Generating Assets and/or the Standard of GRAP on Impairment of Non-Cash-Generating Assets.

The recoverable amount of an investment in an associate is assessed, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the municipality.

Equity method

On initial recognition, the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the municipality as investor’s share of the surplus or deficit of the investee after the date of acquisition. The municipality as investor’s share of the investee’s surplus or deficit is recognised in the municipality as investor’s surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the municipality as investor’s proportionate interest in the investee arising from changes in the investee’s equity that have not been recognised in the investee’s surplus or deficit. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The municipality as investor’s share of those changes is recognised in net assets of the municipality as investor.

An investment in an associate or a joint venture accounted for using the equity method is classified as a non-current asset.

The municipality with joint control of, or significant influence over, an investee, accounts for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption.

Consolidated financial statements

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

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Accounting Policies

1.8 Interests in other entities (continued)

The consolidated annual financial statements of the controlling entity 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 controlling entity.

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

1.9 Financial instruments

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 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.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position and in note 24:

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

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position and in note 24:

Class	Category
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Other deposits	Financial liability measured at fair value

1.9 Financial instruments (continued)

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The municipality 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.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

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

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, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality 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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the

1.9 Financial instruments (continued)
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

a) Financial assets
The municipality derecognises financial assets (or part of a financial asset) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the City has transferred all of the significant risks and rewards of ownership using trade date accounting. On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in the statement of financial performance.

b) Financial liabilities
The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (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 the statement of financial performance. 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 in statement of financial performance.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in statement of financial performance.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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 municipality does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Initial and subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

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

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

Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

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

1.11 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

1.12 Inventories (continued)

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

1.13 Impairment of non-cash-generating assets

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

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

At each reporting date a review is carried out to determine whether there are any indications that any assets and non-cash- generating units may be impaired. If such indications exist, the recoverable amounts of the affected assets are determined.

Where the recoverable service amount of an asset is lower than its carrying amount, an impairment loss is recognised in surplus or deficit in respect of assets at historic cost, and recognised in the revaluation reserve in respect of assets at revalued amounts.

Identification

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

The economic entity 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 economic entity estimates the recoverable service amount of the asset.

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

The economic entity 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 economic entity 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.

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

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.

Re-designation

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

1.14 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Refer to note 16.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. Refer to note 16.

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. Refer to note 73.

Classification of plans

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

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

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.

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

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is 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 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.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

Accounting Policies

1.14 Employee benefits (continued)

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

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

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

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

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

Bonus, incentive and performance related payments

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

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

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

Post-employment benefits: Distinction between defined contribution plans and defined benefit plans

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Accounting for the constructive obligation

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 entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Asset recognition ceiling: When a minimum funding requirement may give rise to a liability

If the entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity determines whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises. The liability reduces the defined benefit asset or increases the defined benefit liability so that no gain or loss is expected to result when the contributions are paid.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefit to periods of service

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

(a) 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

(b) 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 assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

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

1.14 Employee benefits (continued)

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer's share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) 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:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, 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 takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

Accounting Policies

1.14 Employee benefits (continued)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Presentation

Offset

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Current/non-current distinction

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Accounting Policies

1.15 Provisions and contingencies

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

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

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

The discount rate 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 economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

1.16 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements differentiating between community, infrastructure and other capital expenditure commitments. Refer to note 56.

1.17 Revenue from exchange transactions

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

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

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

1.17 Revenue from exchange transactions (continued)

Measurement

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

Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings have not been performed. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

To include all revenue in the financial period, calculations and accruals are made to account for consumption that took place during the last meter reading dates and the financial year end.

Services provided on a prepayment basis are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on the average consumption history.

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines

Fines are economic benefits or service potential received or receivable by the municipality, 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 municipality.

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

Traffic fines are accounted for at a net value based on total outstanding fines calculated using the average of the previous three years less impairment based on a probability collection factor calculated using the average of the previous 5 years.

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 municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Availability charges

Availability charges are levied in terms of the municipality’s approved Tariff Policy and Tariff Book on serviced vacant or undeveloped land for water, sanitation and electricity services. The charges are billed monthly in accordance with the applicable tariff schedules.

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one municipality (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether a municipality is a principal or an agent

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

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

1.21 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which municipality benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.22 Construction contracts and receivables

Revenue from the construction contracts arise from funds received from the Eastern Cape Department of Human Settlements for the development and construction of housing units on behalf of the department.

The accounting treatment as a construction contract is in accordance with the ASB Guide for Housing Arrangements, where the City is responsible for the appointment of contractors (service provide for the construction of these units).

Construction revenue will be realized based on the progress billing by the Contractor (service Provider) for work done to date as certified by the City.

Construction receivable is recognized as certain projects are funded using own funds and claimed from the Eastern Cape Department of Human Settlement.

Construction payable is recognized as certain project funds are received in advance.

In addition, the City administers East Bank Land Affairs funding on behalf of the Department of Land Affairs for the benefit of restitution claimants. Under this arrangement, the City is the developer, and therefore exercises control over the progress of the project. The arrangement meets the definition of a construction contract under GRAP 11, and is accounted for accordingly. Revenue and related assets or liabilities are recognised in line with the principles outlined above.

1.23 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understand ability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, 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 is practicable, and the prior year comparatives are restated accordingly.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

1.24 Unauthorised expenditure (continued)

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

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.

1.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and identified. 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.

1.26 Irregular expenditure

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

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

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

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

1.27 Revaluation reserve

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

1.28 Off-setting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.29 Conditional grants and receipts

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

1.30 Budget information

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

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

1.30 Budget information (continued)

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

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

Differences between budget and actual amounts are regarded as material differences when a 10% difference exists. All material differences are explained in the Statement of Comparison of Budget and Actual Amounts to the annual financial statements.

Comparative information is not required.

1.31 Related parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality. Refer to note 58.

1.32 Events after reporting date

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

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

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

The economic entity 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.

1.33 Value added tax (VAT)

The municipality accounts for value added tax on the payment basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position. Refer to note 23.

1.34 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.35 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the municipality’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management.

Accounting Policies

1.36 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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 end of the reporting period.

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, 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 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.

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.

1.37 Change in accounting policy, accounting estimate and prior period error

Change in accounting policies are applied retrospectively in accordance with the requirements of GRAP. Except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the change in accounting policy relates, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the restatement is practical.

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in the:

Period of the change, if the change affects that period only, or

The period of the change and future periods, if the change affects both.

All material prior period errors are corrected retrospectively in the first set of financial statements for issue after the discovery by management by;

Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
If the error occurred before the earliest period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

However, if its impracticable to determine the period-specific effects of an error on comparative information for one of more prior periods presented, the entity must restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Further, if it is impracticable to determine the cumulative effect, the beginning of the current period, of an error on all prior periods, the entity must restate the comparative information to correct the error prospectively from the earliest date practicable.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP1 (Amended): Presentation of Financial Statements	Not yet set	Unlikely there will be a material impact
• GRAP 103 (Amended): Heritage Assets	Not yet set	Unlikely there will be a material impact
• GRAP 104 (Revised): Financial Instruments	01 April 2025	Impact is currently being assessed
• iGRAP 22: Foreign Currency Transaction and Advance Consideration	01 April 2025	Unlikely there will be a material impact

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is 2025/04/01, set by the Minister of Finance.

The impact of this standard is currently being assessed.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

3. Investment property

Economic entity	2025	2024
	Cost / Valuation	Cost / Valuation
Investment property	788 463 001	768 451 001

Controlling entity	2025	2024
	Cost / Valuation	Cost / Valuation
Investment property	788 463 001	768 451 001

Reconciliation of investment property - Economic entity - 2025

	Opening balance	Fair value adjustments	Total
Investment property	768 451 001	20 012 000	788 463 001

Reconciliation of investment property - Economic entity - 2024

	Opening balance	Fair value adjustments	Total
Investment property	460 961 600	307 489 401	768 451 001

Reconciliation of investment property - Controlling entity - 2025

	Opening balance	Fair value adjustments	Total
Investment property	768 451 001	20 012 000	788 463 001

Reconciliation of investment property - Controlling entity - 2024

	Opening balance	Fair value adjustments	Total
Investment property	460 961 600	307 489 401	768 451 001

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

Per accounting policy Note 1.3 the municipality is on the fair value (FV) model of measuring Investment Property. No Investment Properties are pledged as a security and there are no restrictions on all the Investment Properties. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Rental income from investment properties in respect of monthly and annual leases amounted to R17 374 561, (2024: R15 778 412).

In line with National Treasury regulations, the municipality budgets and records repairs and maintenance on a functional and project basis. This approach does not separately distinguish between asset classes, but rather reflects expenditure incurred across infrastructure and other functions. As the majority of the municipality's investment property comprises land, the related repairs and maintenance expenditure is minimal. Repairs and maintenance relating to investment property are included within Infrastructure and are disclosed in aggregate in Note 47.

Valuations were done based on three valuation methodologies.

1. Direct Comparative Sales

In order to assess the likelihood of these properties' values being materially different from the prior year, reference is made to the FNB Property Barometer. This is a credible, verifiable index published for the purpose of such evaluations by one of South Africa's leading banks. The report indicates low growth during the period, and specifically mentions the slow growth rate in metropolitan municipalities. Which indicates that there has been no major market fluctuation that would require a comprehensive new valuation in the current year. Current year calculation was performed by Daniel Grobler - Professional Associated Valuer reg. no 2311/3 sworn appraiser.

3. Investment property (continued)

2. Income Capitalisation Method

Two properties were valued using the Income Capitalisation method in 2023. Thompsons Property Solutions, represented by Brendon Thompson - Certified Auctioneer reg. no CA136 and sworn appraiser was engaged to perform a similar calculation in 2024. The properties were inspected for possible improvements since the prior year and to ensure that the condition is not materially different from the prior year. No significant changes were identified. The values were then recalculated in 2024 by calculating market related rates per square meter for comparable properties in similar locations and applying this to the general lettable area of the subject properties, and adjusting these for concomitant expenditure based on the type of properties and professional judgement of the appraisers.

3. Depreciated Replacement Cost

Using the Aurecon tool, an industry standard for calculating annual construction cost fluctuations, changes to extend the current replacement costs for the properties to 2024; this application of an index is common practice in the depreciated replacement cost method. These values were then adjusted for the age and condition of the assets to yield a new Depreciated Replacement Cost, (i.e. fair value) at the reporting date. This calculation was performed by Daniel Grobler - Professional Associated Valuer reg. no 2311/3 sworn appraiser.

Properties were individually valued using a specific method that is best applicable to each property. The full methodology and assumptions used are available for review to each property certificate.

4. Property, plant and equipment

Economic entity	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	112 777 128	-	112 777 128	106 595 480	-	106 595 480
Plant and machinery	81 684 688	(57 903 043)	23 781 645	102 126 839	(83 725 725)	18 401 114
Furniture and fixtures	220 742 681	(155 853 037)	64 889 644	215 916 145	(142 285 976)	73 630 169
Motor vehicles	608 853 057	(337 948 345)	270 904 712	694 912 463	(356 965 198)	337 947 265
IT equipment	2 156 481	(1 896 636)	259 845	2 147 546	(1 603 665)	543 881
Electricity infrastructure	15 768 584 398	(6 452 196 559)	9 316 387 839	15 607 650 074	(5 983 242 812)	9 624 407 262
Other property (halls, social housing)	3 222 312 020	(1 134 188 648)	2 088 123 372	3 201 758 987	(1 038 818 072)	2 162 940 915
Work in progress (WIP)	1 986 762 271	(80 186 840)	1 906 575 431	1 811 099 320	(52 608 336)	1 758 490 984
Recreational facilities	1 199 972 794	(613 262 793)	586 710 001	1 202 878 326	(561 420 098)	641 458 228
Roads	21 512 122 958	(7 004 346 259)	14 507 776 699	21 039 546 639	(6 344 378 394)	14 695 168 245
Wastewater network	7 803 318 986	(4 126 709 409)	3 676 609 577	7 754 988 887	(3 638 093 521)	4 116 895 366
Water network	11 823 192 351	(5 039 846 480)	6 783 345 871	11 649 452 213	(4 733 774 300)	6 915 677 913
Community buildings	2 904 946 488	(1 355 948 855)	1 548 997 633	2 893 546 187	(1 241 064 202)	1 652 481 985
Total	**67 247 426 301**	**(26 360 286 904)**	**40 887 139 397**	**66 282 619 106**	**(24 177 980 299)**	**42 104 638 807**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Controlling entity	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	112 777 128	-	112 777 128	106 595 480	-	106 595 480
Plant and machinery	81 684 688	(57 903 043)	23 781 645	102 126 839	(83 725 725)	18 401 114
Furniture and fixtures	219 127 974	(154 468 522)	64 659 452	214 312 212	(141 159 643)	73 152 569
Motor vehicles	608 853 057	(337 948 345)	270 904 712	694 912 463	(356 965 198)	337 947 265
Electricity infrastructure	15 768 584 398	(6 452 196 559)	9 316 387 839	15 607 650 074	(5 983 242 812)	9 624 407 262
Other property (halls, social housing)	3 222 312 020	(1 134 188 648)	2 088 123 372	3 201 758 987	(1 038 818 072)	2 162 940 915
Work in progress (WIP)	1 986 762 271	(80 186 840)	1 906 575 431	1 811 099 320	(52 608 336)	1 758 490 984
Recreational facilities	1 199 972 794	(613 262 793)	586 710 001	1 202 878 326	(561 420 098)	641 458 228
Roads	21 512 122 958	(7 004 346 259)	14 507 776 699	21 039 546 639	(6 344 378 394)	14 695 168 245
Wastewater network	7 803 318 986	(4 126 709 409)	3 676 609 577	7 754 988 887	(3 638 093 521)	4 116 895 366
Water network	11 823 192 351	(5 039 846 480)	6 783 345 871	11 649 452 213	(4 733 774 300)	6 915 677 913
Community buildings	2 904 946 488	(1 355 948 855)	1 548 997 633	2 893 546 187	(1 241 064 202)	1 652 481 985
Total	**67 243 655 113**	**(26 357 005 753)**	**40 886 649 360**	**66 278 867 627**	**(24 175 250 301)**	**42 103 617 326**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2025

	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment loss	Total
Land	106 595 480	6 181 648	-	-	-	-	112 777 128
Plant and machinery	18 401 114	10 168 167	-	(516 995)	(3 094 416)	(1 176 225)	23 781 645
Furniture and fixtures	73 630 169	10 681 459	-	(268 970)	(12 880 117)	(6 272 897)	64 889 644
Motor vehicles	337 947 265	29 023 111	-	(35 016 536)	(39 302 278)	(21 746 850)	270 904 712
IT equipment	543 881	8 934	-	-	(292 970)	-	259 845
Electricity infrastructure	9 624 407 262	164 441 815	-	(2 080 577)	(346 304 346)	(124 076 315)	9 316 387 839
Other property (halls, social housing)	2 162 940 915	20 553 032	-	-	(86 807 688)	(8 562 887)	2 088 123 372
Work in progress (WIP)	1 758 490 984	1 185 231 574	(1 009 568 622)	-	-	(27 578 505)	1 906 575 431
Recreational facilities	641 458 228	1 602 835	-	(905 677)	(37 384 238)	(18 061 147)	586 710 001
Roads	14 695 168 245	569 477 623	-	(44 256 914)	(576 702 527)	(135 909 728)	14 507 776 699
Wastewater network	4 116 895 366	48 361 233	-	(26 680)	(130 217 627)	(358 402 715)	3 676 609 577
Water network	6 915 677 913	177 526 079	-	(3 627 849)	(294 984 170)	(11 246 102)	6 783 345 871
Community buildings	1 652 481 985	14 139 055	-	(1 658 012)	(95 351 333)	(20 614 062)	1 548 997 633
	42 104 638 807	**2 237 396 565**	**(1 009 568 622)**	**(88 358 210)**	**(1 623 321 710)**	**(733 647 433)**	**40 887 139 397**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2024

	Opening balance	Additions	Transfers	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	104 052 329	2 543 151	-	-	-	-	-	106 595 480
Plant and machinery	19 253 082	7 372 041	-	(70 756)	-	(8 153 253)	-	18 401 114
Furniture and fixtures	89 091 388	7 517 771	-	(393 220)	-	(22 585 770)	-	73 630 169
Motor vehicles	397 965 388	12 812 474	-	(2 156 353)	-	(70 674 244)	-	337 947 265
IT equipment	509 937	439 279	-	(29 140)	-	(376 195)	-	543 881
Electricity infrastructure	6 573 374 559	255 347 343	-	(2 609 304)	3 116 463 606	(318 168 942)	-	9 624 407 262
Other property (halls, social housing)	1 819 872 269	257 659 566	-	(131 205 691)	296 543 872	(79 929 101)	-	2 162 940 915
Work in progress (WIP)	2 817 700 567	-	(1 059 209 583)	52 608 336	-	-	(52 608 336)	1 758 490 984
Recreational facilities	432 535 819	51 422 926	-	(1 905 087)	200 055 808	(40 651 238)	-	641 458 228
Roads	10 706 440 105	825 453 198	-	(183 128 739)	3 924 681 995	(578 278 314)	-	14 695 168 245
Wastewater network	3 238 491 205	112 231 910	-	(18 633 737)	921 317 940	(136 511 952)	-	4 116 895 366
Water network	4 695 866 357	500 231 215	-	(4 319 855)	1 982 738 759	(258 838 563)	-	6 915 677 913
Community buildings	1 110 144 093	161 002 125	-	(7 249 419)	496 548 360	(107 963 174)	-	1 652 481 985
	32 005 297 098	**2 194 032 999**	**(1 059 209 583)**	**(299 092 965)**	**10 938 350 340**	**(1 622 130 746)**	**(52 608 336)**	**42 104 638 807**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2025

	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment loss	Total
Land	106 595 480	6 181 648	-	-	-	-	112 777 128
Plant and machinery	18 401 114	10 168 167	-	(516 995)	(3 094 416)	(1 176 225)	23 781 645
Furniture and fixtures	73 152 569	10 670 685	-	(268 970)	(12 621 935)	(6 272 897)	64 659 452
Motor vehicles	337 947 265	29 023 111	-	(35 016 536)	(39 302 278)	(21 746 850)	270 904 712
Electricity infrastructure	9 624 407 262	164 441 815	-	(2 080 577)	(346 304 346)	(124 076 315)	9 316 387 839
Other property (halls, social housing)	2 162 940 915	20 553 032	-	-	(86 807 688)	(8 562 887)	2 088 123 372
Work in progress (WIP)	1 758 490 984	1 185 231 574	(1 009 568 622)	-	-	(27 578 505)	1 906 575 431
Recreational facilities	641 458 228	1 602 835	-	(905 677)	(37 384 238)	(18 061 147)	586 710 001
Roads	14 695 168 245	569 477 623	-	(44 256 914)	(576 702 527)	(135 909 728)	14 507 776 699
Wastewater network	4 116 895 366	48 361 233	-	(26 680)	(130 217 627)	(358 402 715)	3 676 609 577
Water network	6 915 677 913	177 526 079	-	(3 627 849)	(294 984 170)	(11 246 102)	6 783 345 871
Community buildings	1 652 481 985	14 139 055	-	(1 658 012)	(95 351 333)	(20 614 062)	1 548 997 633
	42 103 617 326	**2 237 376 857**	**(1 009 568 622)**	**(88 358 210)**	**(1 622 770 558)**	**(733 647 433)**	**40 886 649 360**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2024

	Opening balance	Additions	Transfers	Disposals/ Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	104 052 329	2 543 151	-	-	-	-	-	106 595 480
Plant and machinery	19 253 082	7 372 041	-	(70 756)	-	(8 153 253)	-	18 401 114
Furniture and fixtures	88 398 133	7 477 276	-	(393 220)	-	(22 329 620)	-	73 152 569
Motor vehicles	397 965 388	12 812 474	-	(2 156 353)	-	(70 674 244)	-	337 947 265
Electricity infrastructure	6 573 374 559	255 347 343	-	(2 609 304)	3 116 463 606	(318 168 942)	-	9 624 407 262
Other property (halls, social housing)	1 819 872 269	257 659 566	-	(131 205 691)	296 543 872	(79 929 101)	-	2 162 940 915
Work in progress (WIP)	2 817 700 567	-	(1 059 209 583)	52 608 336	-	-	(52 608 336)	1 758 490 984
Recreational facilities	432 535 819	51 422 926	-	(1 905 087)	200 055 808	(40 651 238)	-	641 458 228
Roads	10 706 440 105	825 453 198	-	(183 128 739)	3 924 681 995	(578 278 314)	-	14 695 168 245
Wastewater network	3 238 491 205	112 231 910	-	(18 633 737)	921 317 940	(136 511 952)	-	4 116 895 366
Water network	4 695 866 357	500 231 215	-	(4 319 855)	1 982 738 759	(258 838 563)	-	6 915 677 913
Community buildings	1 110 144 093	161 002 125	-	(7 249 419)	496 548 360	(107 963 174)	-	1 652 481 985
	32 004 093 906	**2 193 553 225**	**(1 059 209 583)**	**(299 063 825)**	**10 938 350 340**	**(1 621 498 401)**	**(52 608 336)**	**42 103 617 326**

Proceeds on disposal of Property, plant and equipment	**2025**	**2024**	**2025**	**2024**
Carrying value of Property, plant and equipment	88 358 210	299 092 965	88 358 210	299 063 825
Net gain/(loss) on disposal of assets	(10 605 810)	(299 062 531)	(10 605 810)	(299 063 825)
	77 752 400	**30 434**	**77 752 400**	**-**

There are properties for which tittle deeds are registered under the name of the Municipality but have not been included in the Municipality's financial records. These properties are represented by RDP land, ex Ciskei and other land parcels, vacant and improved. It should furthermore be noted that management is of the view that the inclusion of these properties in the Annual Financial Statements could result in a misrepresentation of the financial information for users of the Annual Financial Statements.

Expenditure relating to property, plant and equipment is disclosed under repairs and maintenance note 47.

Refer to note 56 for committed expenditure.

The values were determined as 30 June 2024 by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 5435/7. Revaluation methodology is available at BCMM.

4. Property, plant and equipment (continued)

There are also no assets that are owned by the City which are held under the service concession agreements, surety arrangements and/or under finance lease where the City is the lessor.

No assets of the City were pledged as security and there are no restrictions on the asset's title deeds.

The City owns living animals which are used to deliver services. However, the cost of these animals is not material and is recognised as part of Other property, plant and equipment and not separately as per GRAP 110, Living and non-living resources.

The following property plant and equipment is in the process of being constructed or developed and is disclosed as part of work-in-progress. Work-in-progress comprises of the following classes of infrastructure.

WIP Categories	2025	2024	2025	2024
Buildings	58 342 096	54 336 932	58 342 096	54 336 932
Community facilities	126 987 972	154 079 524	126 987 972	154 079 524
Electricity	149 252 397	138 573	149 252 397	138 573
Other assets	130 168 882	116 337 954	130 168 882	116 337 954
Roads	725 422 005	882 268 430	725 422 005	882 268 430
Sanitation	438 979 076	450 072 822	438 979 076	450 072 822
Water supply	242 491 068	101 256 749	242 491 068	101 256 749
	1 871 643 496	**1 758 490 984**	**1 871 643 496**	**1 758 490 984**

The carrying values of all the projects that are taking significantly longer to complete as shown below are included in PPE Note 4 and under WIP. Impairment loss incurred for some of these projects is also accounted for.

Contract/WIP	Carrying value 'R	Reasons
WIP 1222 Gompo Industria line	6 125 936	Electricity project, delayed by Local business Forum challenges insisting on getting 30% work.
Contract No: 3187: Township Establishment: Smiling Valley	386 957	Delayed by the EIA approval related issues for a township establishment.
NU2 swimming pool	0	Contractor terminated due to poor workmanship.
KWT WWTW Phase 2	214 448 443	Project has been halted pending finalisation of the litigation process.
Water World	48 949 015	The contractor abandoned the site and the contract has since been terminated. The construction works were halted pending finalisation of the arbitration process.
CNIP Victims project	36 449 340	Project has been halted pending finalisation of the litigation process.
EL Sewer diversion	16 909 621	Project has been halted pending finalisation of the litigation process..
Posdam Ikhwezi Block 1	32 516 082	This project was terminated due to poor performance of the contractor and there were issues of non-payment of materials by the contractor resulting to them being litigated by the suppliers. The municipality has appointed a replacement contractor to complete and finalise the work that was left incomplete by the previous contractor.
	355 516 082	

A project is considered delayed if it has been halted or delayed for a period longer than 36months

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

5. Intangible assets

Economic entity	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	51 154 854	(39 457 035)	11 697 819	43 763 550	(36 944 127)	6 819 423

Controlling entity	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	46 078 104	(34 789 862)	11 288 242	38 686 800	(32 350 726)	6 336 074

Reconciliation of intangible assets - Economic entity - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	6 819 423	7 391 303	(2 512 907)	11 697 819

Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	9 042 729	197 463	(2 420 769)	6 819 423

Reconciliation of intangible assets - Controlling entity - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	6 336 074	7 391 303	(2 439 135)	11 288 242

Reconciliation of intangible assets - Controlling entity - 2024

	Opening balance	Amortisation	Total
Computer software	8 305 760	(1 969 686)	6 336 074

Other information

The City did not have any intangible assets/projects taking significantly longer to complete.

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 City.

None of the City’s Intangible assets are restricted and or pledged as a security.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

6. Heritage assets

Economic entity	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	11 104 644	-	11 104 644	11 104 644	-	11 104 644
Memorials	2 866 049	(15 077)	2 850 972	2 866 049	-	2 866 049
Historical buildings	22 198 433	(282 664)	21 915 769	22 198 433	-	22 198 433
Other Heritage sites	17 996 945	(476 485)	17 520 460	17 996 945	-	17 996 945
Total	**54 166 071**	**(774 226)**	**53 391 845**	**54 166 071**	**-**	**54 166 071**

Controlling entity	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	11 104 644	-	11 104 644	11 104 644	-	11 104 644
Memorials	2 866 049	(15 077)	2 850 972	2 866 049	-	2 866 049
Historical buildings & sites	22 198 433	(282 664)	21 915 769	22 198 433	-	22 198 433
Other Heritage sites	17 996 945	(476 485)	17 520 460	17 996 945	-	17 996 945
Total	**54 166 071**	**(774 226)**	**53 391 845**	**54 166 071**	**-**	**54 166 071**

Reconciliation of heritage assets - Economic entity - 2025

	Opening balance	Impairment losses recognised	Total
Historical monuments	11 104 644	-	11 104 644
Memorials	2 866 049	(15 077)	2 850 972
Historical buildings	22 198 433	(282 664)	21 915 769
Other Heritage sites	17 996 945	(476 485)	17 520 460
	54 166 071	**(774 226)**	**53 391 845**

Reconciliation of heritage assets - Economic entity - 2024

	Opening balance	Additions	Impairment losses and derecognition recognised	Total
Historical monuments	10 168 384	1 180 000	(243 740)	11 104 644
Memorials	2 866 049	-	-	2 866 049
Historical buildings	22 198 433	-	-	22 198 433
Other Heritage sites	18 050 426	-	(53 481)	17 996 945
	53 283 292	**1 180 000**	**(297 221)**	**54 166 071**

Reconciliation of heritage assets - Controlling entity - 2025

	Opening balance	Impairment losses recognised	Total
Monuments	11 104 644	-	11 104 644
Memorials	2 866 049	(15 077)	2 850 972
Historical buildings & sites	22 198 433	(282 664)	21 915 769
Other Heritage sites	17 996 945	(476 485)	17 520 460
	54 166 071	**(774 226)**	**53 391 845**

6. Heritage assets (continued)

Reconciliation of heritage assets - Controlling entity - 2024

	Opening balance	Additions	Impairment losses and derecognition recognised	Total
Monuments	10 168 384	1 180 000	(243 740)	11 104 644
Memorials	2 866 049	-	-	2 866 049
Historical buildings & sites	22 198 433	-	-	22 198 433
Other Heritage sites	18 050 426	-	(53 481)	17 996 945
	53 283 292	**1 180 000**	**(297 221)**	**54 166 071**

Heritage assets are reviewed annually for impairment. None of the City’s Heritage assets are restricted and or pledged as a security.

In line with National Treasury regulations, the municipality budgets and records repairs and maintenance on a functional and project basis. This approach does not separately distinguish between asset classes, but rather reflects expenditure incurred across infrastructure and other functions. Repairs and maintenance relating to heritage assets are included within Infrastructure and are disclosed in aggregate in Note 47.

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 City.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

7. Investment in controlled entity and associate

Name	Principal activity	Economic Entity Carrying amount 2025	Economic Entity Carrying amount 2024	Controlling Entity Carrying amount 2025	Controlling Entity Carrying amount 2024
Buffalo City Metropolitan Development Agency SOC Ltd	Tourism and development throughout the City.	-	-	100	100
		-	-	100	100

Name	Principal activity	Economic Entity Carrying amount 2025	Economic Entity Carrying amount 2024	Controlling Entity Carrying amount 2025	Controlling Entity Carrying amount 2024
East London Industrial Development Zone (Pty) Ltd	Development of East London's Industrial Development Zone.	725 412 562	727 388 487	725 412 562	727 388 487
% holding		26 %	26 %	26 %	26 %
		725 412 562	727 388 487	725 412 562	727 388 487

The carrying amounts of associates are shown net of impairment losses.

Movements in carrying amount				
Opening balance	727 388 487	685 112 813	727 388 487	685 112 813
Share of associate surplus/(deficit)	(1 975 925)	42 275 674	(1 975 925)	42 275 674
	725 412 562	**727 388 487**	**725 412 562**	**727 388 487**

Investment in associate at 30 June 2025 amounted to R725 412 562 (2024: R727 388 487).

Fair value

Management could not make a reliable estimate of the fair value of the associate as the information to determine the fair value is not readily available. Management however believes that the face value approximates the fair value of the shares.

Summary of controlled entity's interest in associate				
Total assets	772 927 959	775 062 537	772 927 959	775 062 537
Total liabilities	(47 515 397)	(47 674 051)	(47 515 397)	(47 674 051)
Total equity	725 412 562	727 388 487	725 412 562	727 388 487
Share in surplus/(deficit) for the year	(1 975 925)	42 275 674	(1 975 925)	42 275 674
Surplus - opening balance	727 388 487	685 112 813	727 388 487	685 112 813

The financial statements of East London Industrial Development Zone (Proprietary) Limited have a different year end to BCMM and ELIDZ statements are prepared for the accounting period 01 April 2024 to 31 March 2025.

Per Accounting Policy 1.8, the municipality uses the most recent available financial statement of the associate in applying the equity method. The amounts reflected above are for the period 01 April 2024 - 31 March 2025.

Management reviewed the management accounts of East London Industrial Development Zone (Proprietary) Limited for the period 1 April 2025 to 30 June 2025 to identify any significant transactions or events occurring between reporting dates.

Management noted no significant transactions or events in the period that would require adjustments to the associate's results. Therefore, no changes have been made to the amounts recognised in the Municipality financial statements arising from the reporting date difference.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

7. Investment in controlled entity and associate (continued)

Interests in associates

Material associates

Name of the associate:	East London Industrial Development Zone (Pty)Ltd
Nature of the entity's relationship with the associate:	The development and management of the Special Economic Zone (SEZ) in East London.
Domicile and legal form of the associate:	State owned company
Proportion of ownership interest or participating share held by the entity:	26%
Proportion of voting rights held:	26%
The investment in associate is measured using:	Equity Method

Summarised financial information for the associate

Current assets	287 523 366	313 510 422	287 523 366	313 510 422
Non-current assets	2 685 276 477	2 667 499 337	2 685 276 477	2 667 499 337
Current liabilities	(182 751 529)	(183 361 733)	(182 751 529)	(183 361 733)
Revenue	505 291 487	621 511 206	505 291 487	621 511 206
Expenditure	(512 621 243)	(456 772 526)	(512 621 243)	(456 772 526)
Tax expense	(269 956)	(2 139 933)	(269 956)	(2 139 933)
Surplus or (deficit)	(7 599 712)	162 598 747	(7 599 712)	162 598 747

8. Inventories

Electricity store (Electrical maintenance parts)	32 217 213	36 572 721	32 217 213	36 572 721
Workshop store (Mechanical maintenance parts)	1 569 867	1 217 450	1 569 867	1 217 450
Water store (Water maintenance parts)	11 249 597	10 170 678	11 249 597	10 170 678
Unsold water (Treated water in pipelines & reservoirs)	9 395 546	9 051 949	9 395 546	9 051 949
General stores (Chiselhurst, Mdantsane, KWT)	10 274 200	12 640 345	10 222 473	12 600 385
	64 706 423	69 653 143	64 654 696	69 613 183
Inventories (write-downs)	(487 498)	(254 747)	(478 895)	(266 513)
	64 218 925	**69 398 396**	**64 175 801**	**69 346 670**

Refer to note 40 Inventory consumed for the amount of inventory expensed during the year.

Notes to the Audited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2025	2024 *Restated	2025	2024 *Restated

9. Receivables from non-exchange transactions

Other debtors		35 597 864	30 642 706	35 309 890	30 642 705
Traffic fines		146 553 288	184 462 867	146 553 288	184 462 867
Allowance for impairment - Traffic fines		(123 104 762)	(157 378 307)	(123 104 762)	(157 378 307)
Consumer debtors - Property rates	11	2 191 270 445	1 820 812 829	2 191 270 445	1 820 812 829
Allowance for impairment - Consumer debtors - Property rates	11	(1 243 566 164)	(960 958 175)	(1 243 566 164)	(960 958 175)
Consumer debtors - Other receivables (billing)	11	389 042 631	344 833 761	389 042 631	344 833 761
Allowance for impairment - Consumer debtors - Other receivables (billing)	11	(103 363 298)	(78 668 492)	(103 363 298)	(78 668 492)
Consumer debtors - Electricity availability charges	11	35 591 920	18 400 142	35 591 920	18 400 142
Allowance for impairment - Consumer debtors - Electricity availability charges	11	(7 903 374)	(6 107 403)	(7 903 374)	(6 107 403)
Consumer debtors - Waste water availability charges	11	114 374 185	104 553 448	114 374 185	104 553 448
Allowance for impairment - Consumer debtors - Waste water availability charges	11	(20 445 496)	(15 799 439)	(20 445 496)	(15 799 439)
Consumer debtors - Water availability charges	11	84 728 477	64 641 261	84 728 477	64 641 261
Allowance for impairment - Consumer debtors - Water availability charges	11	(22 356 504)	(17 276 188)	(22 356 504)	(17 276 188)
		1 476 419 212	**1 332 159 010**	**1 476 131 238**	**1 332 159 009**

Statutory receivables included in receivables from non-exchange transactions above are as follows:					
Property rates - Gross		2 191 270 445	1 820 812 829	2 191 270 445	1 820 812 829
Property rates - Impairment		(1 243 566 164)	(960 958 175)	(1 243 566 164)	(960 958 175)
Traffic fines - Gross		146 553 288	184 462 867	146 553 288	184 462 867
Traffic fines - Impairment		(123 104 762)	(157 378 307)	(123 104 762)	(157 378 307)
		971 152 807	**886 939 214**	**971 152 807**	**886 939 214**
Financial asset receivables included in receivables from non-exchange transactions above	24	**505 266 405**	**445 219 796**	**504 978 431**	**445 219 795**
Total receivables from non-exchange transactions		1 476 419 212	1 332 159 010	1 476 131 238	1 332 159 009

Traffic fines

Opening Balance - Total Outstanding Fines (Based on prior 3 years)	184 462 867	253 081 624	184 462 867	253 081 624
Less: Outstanding Fines in respect of prior third year	(82 571 082)	(123 360 257)	(82 571 082)	(123 360 257)
Total Traffic Fines Issued BCMM	61 305 424	69 341 594	61 305 424	69 341 594
Traffic Fines withdrawn, untraceable and uncollectable	(4 706 760)	(3 957 950)	(4 706 760)	(3 957 950)
Traffic Fines Paid	(11 937 161)	(10 642 144)	(11 937 161)	(10 642 144)
Total Outstanding Fines	146 553 288	184 462 867	146 553 288	184 462 867
Impairment (Based on a probability collection factor of approx. 16% - 2025 and 15% - 2024)	(123 104 762)	(157 378 307)	(123 104 762)	(157 378 307)
	23 448 526	**27 084 560**	**23 448 526**	**27 084 560**

The amount of the contribution to impairment for traffic fines was R(48 297 537) (2024: R(64 702 119)).

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due, nor impaired can be assessed by previous payments and collection trends, and any other default information.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

9. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2025, other receivables from non-exchange transactions of R (1 397 634 836) (2024: R (1 078 809 697)) were impaired and provided for.

The amount of the contribution to impairment was R(535 359 699) (2024: R(338 514 778)).

Amounts totalling R218 101 105 (2024: R136 950 975) were written off as uncollectable against the debt impairment allowance account. This represents 2% (2024: 1%) of the total operating income for the year.

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 45). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or credit enhancements.

Statutory receivable disclosure

Property rates - Gross ageing				
Current (0 -30 days)	181 175 686	164 201 372	181 175 686	164 201 372
31 - 60 days	94 267 174	81 434 790	94 267 174	81 434 790
61 - 90 days	72 392 245	66 659 613	72 392 245	66 659 613
91 - 120 days	65 584 512	65 033 663	65 584 512	65 033 663
121 - 365 days	479 813 278	450 917 308	479 813 278	450 917 308
> 365 days	1 298 037 550	992 565 609	1 298 037 550	992 565 609
	2 191 270 445	**1 820 812 355**	**2 191 270 445**	**1 820 812 355**

Property rates - Impairment ageing				
Current (0 -30 days)	(102 814 889)	(86 330 344)	(102 814 889)	(86 330 344)
31 - 60 days	(53 497 676)	(42 814 416)	(53 497 676)	(42 814 416)
61 - 90 days	(41 083 409)	(35 046 353)	(41 083 409)	(35 046 353)
91 - 120 days	(37 219 945)	(34 191 509)	(37 219 945)	(34 191 509)
121 - 365 days	(272 299 406)	(237 070 192)	(272 299 406)	(237 070 192)
> 365 days	(736 650 839)	(525 505 361)	(736 650 839)	(525 505 361)
	(1 243 566 164)	**(960 958 175)**	**(1 243 566 164)**	**(960 958 175)**

Property Rates - Consumer debtors past due but not impaired				
Current (0 -30 days)	78 360 797	77 871 502	78 360 797	77 871 502
31 - 60 days	40 769 498	38 620 374	40 769 498	38 620 374
61 - 90 days	31 308 836	31 613 260	31 308 836	31 613 260
91 - 120 days	28 364 567	30 842 154	28 364 567	30 842 154
121 - 365 days	207 513 872	213 847 116	207 513 872	213 847 116
> 365 days	561 386 711	467 060 248	561 386 711	467 060 248
	947 704 281	**859 854 654**	**947 704 281**	**859 854 654**

The City considers the likelihood of non-payment for each debtor. A debtor is considered either likely to pay, or not. This will result in the entire debt amount outstanding, to be included in the impairment provision, with the exception of those debtors that are identified as being able to settle their debt in full.

With regards to the recoverability and impairment of traffic fines, the City considers the probability of collecting traffic fines, and determines a % probability collection factor, which is based on a 5-year moving average, which is then applied to the total outstanding fines in order to determine the traffic fine debtor amount. In determining the % probability collection factor, the City also considers the total traffic fines issued, less those fines that are withdrawn, untraceable etc, as well as the fines that are paid.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand		Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

10. Receivables from exchange transactions

Consumer debtors - Electricity - Gross	11	1 424 928 582	987 398 869	1 424 928 582	987 398 869
Consumer debtors - Electricity - Impairment	11	(1 076 160 746)	(831 612 815)	(1 076 160 746)	(831 612 815)
Consumer debtors - Water - Gross	11	2 794 548 974	2 457 834 412	2 794 548 974	2 457 834 412
Consumer debtors - Water - Impairment	11	(2 603 746 232)	(2 012 068 124)	(2 603 746 232)	(2 012 068 124)
Consumer debtors - Waste water - Gross	11	845 527 287	698 751 005	845 527 287	698 751 005
Consumer debtors - Waste water - Impairment	11	(593 333 383)	(458 503 664)	(593 333 383)	(458 503 664)
Consumer debtors - Refuse - Gross	11	1 191 579 027	1 009 626 887	1 191 579 027	1 009 626 887
Consumer debtors - Refuse - impairment	11	(686 238 985)	(530 297 297)	(686 238 985)	(530 297 297)
Consumer debtors - Rental debtors - Gross	11	74 801 787	59 114 412	74 801 787	59 114 412
Consumer debtors - Rental debtors - Impairment	11	(51 019 542)	(40 650 895)	(51 019 542)	(40 650 895)
Accrued income		399 021 992	365 089 017	399 021 992	365 089 017
Prepayments		10 000 000	-	10 000 000	-
VAT accrual on payables	23	127 652 040	123 153 871	127 236 457	121 927 743
VAT control	23	35 876 756	49 847 072	35 675 950	49 729 899
VAT accrual on receivables	23	83 077 698	-	83 319 728	-
Other debtors		6 407	8 082	-	-
		1 976 521 662	**1 877 690 832**	**1 976 140 896**	**1 876 339 449**
Statutory receivables included in receivables from exchange transactions above are as follows:					
VAT Control		35 876 756	49 847 072	35 675 950	49 729 899
Total financial asset receivables included above	24	**1 940 644 906**	**1 827 843 760**	**1 940 464 946**	**1 826 609 550**
Total receivables from exchange transactions		1 976 521 662	1 877 690 832	1 976 140 896	1 876 339 449

Credit quality of trade and other receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by previous payments and collection trends, and any other default information.

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables of R (5 010 498 889) (2024: R (3 873 132 794)) were impaired and provided for. The amount of the contribution to impairment was R(1 417 901 955) (2024: R(898 551 858)).

Amounts totalling as of 30 June 2025 R491 654 608 (2024: R309 115 255) were written off as uncollectable against the debt impairment allowance account. This represents 5% (2024: 3%) of the total operating income for the year.

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 38). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

In terms of the arrangements to repay rates and services debt as at 30 June 2025 6 101, (2024: 4 169) debtors had active outstanding arrangements to the value of R314 709 778 (2024: R286 199 244). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

		Economic entity		Controlling entity	
Figures in Rand		2025	2024 *Restated	2025	2024 *Restated

11. Consumer debtors' disclosure

Gross balances					
Consumer debtors - Rates	9	2 191 270 445	1 820 812 829	2 191 270 445	1 820 812 829
Consumer debtors - Electricity	10	1 424 928 582	987 398 869	1 424 928 582	987 398 869
Consumer debtors - Water	10	2 794 548 974	2 457 834 412	2 794 548 974	2 457 834 412
Consumer debtors - Waste water	10	845 527 287	698 751 005	845 527 287	698 751 005
Consumer debtors - Refuse	10	1 191 579 027	1 009 626 887	1 191 579 027	1 009 626 887
Consumer debtors - Rental debtors	10	74 801 787	59 114 412	74 801 787	59 114 412
Consumer debtors - Other receivables (billing)	9	389 042 631	344 833 761	389 042 631	344 833 761
Consumer debtors - Electricity availability charges	9	35 591 920	18 400 142	35 591 920	18 400 142
Consumer debtors - Waste water availability charges	9	114 374 185	104 553 448	114 374 185	104 553 448
Consumer debtors - Water availability charges	9	84 728 477	64 641 261	84 728 477	64 641 261
		9 146 393 315	**7 565 967 026**	**9 146 393 315**	**7 565 967 026**
Less: Allowance for impairment					
Consumer debtors - Rates	9	(1 243 566 164)	(960 958 175)	(1 243 566 164)	(960 958 175)
Consumer debtors - Electricity	10	(1 076 160 746)	(831 612 815)	(1 076 160 746)	(831 612 815)
Consumer debtors - Water	10	(2 603 746 232)	(2 012 068 124)	(2 603 746 232)	(2 012 068 124)
Consumer debtors - Waste water	10	(593 333 383)	(458 503 664)	(593 333 383)	(458 503 664)
Consumer debtors - Refuse	10	(686 238 985)	(530 297 297)	(686 238 985)	(530 297 297)
Consumer debtors - Rental debtors	10	(51 019 542)	(40 650 895)	(51 019 542)	(40 650 895)
Consumer debtors - Other receivables (billing)	9	(103 363 298)	(78 668 492)	(103 363 298)	(78 668 492)
Consumer debtors - Electricity availability charges	9	(7 903 374)	(6 107 403)	(7 903 374)	(6 107 403)
Consumer debtors - Waste water availability charges	9	(20 445 496)	(15 799 439)	(20 445 496)	(15 799 439)
Consumer debtors - Water availability charges	9	(22 356 504)	(17 276 188)	(22 356 504)	(17 276 188)
		(6 408 133 724)	**(4 951 942 492)**	**(6 408 133 724)**	**(4 951 942 492)**
Net balance					
Consumer debtors - Rates	9	947 704 281	859 854 654	947 704 281	859 854 654
Consumer debtors - Electricity	10	348 767 836	155 786 054	348 767 836	155 786 054
Consumer debtors - Water	10	190 802 742	445 766 288	190 802 742	445 766 288
Consumer debtors - Waste water	10	252 193 904	240 247 341	252 193 904	240 247 341
Consumer debtors - Refuse	10	505 340 042	479 329 590	505 340 042	479 329 590
Consumer debtors - Rental debtors	10	23 782 245	18 463 517	23 782 245	18 463 517
Consumer debtors - Other receivables (billing)	9	285 679 333	266 165 269	285 679 333	266 165 269
Consumer debtors - Electricity availability charges	9	27 688 546	12 292 739	27 688 546	12 292 739
Consumer debtors - Waste water availability charges	9	93 928 689	88 754 009	93 928 689	88 754 009
Consumer debtors - Water availability charges	9	62 371 973	47 365 073	62 371 973	47 365 073
		2 738 259 591	**2 614 024 534**	**2 738 259 591**	**2 614 024 534**
Statutory receivables included in consumer debtors above are as follows:					
Consumer debtors - Rates		947 704 281	859 854 654	947 704 281	859 854 654
Financial asset receivables included in consumer debtors above		**1 790 555 310**	**1 754 169 880**	**1 790 555 310**	**1 754 169 880**
Total consumer debtors		2 738 259 591	2 614 024 534	2 738 259 591	2 614 024 534
Included in above is receivables from exchange transactions					
Electricity		348 767 836	155 786 054	348 767 836	155 786 054
Water		190 802 742	445 766 288	190 802 742	445 766 288
Waste water		252 193 904	240 247 341	252 193 904	240 247 341
Refuse		505 340 042	479 329 590	505 340 042	479 329 590
Rental debtors		23 782 245	18 463 517	23 782 245	18 463 517
		1 320 886 769	**1 339 592 790**	**1 320 886 769**	**1 339 592 790**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

11. Consumer debtors' disclosure (continued)

Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	947 704 281	859 854 654	947 704 281	859 854 654
Other receivables (billing)	285 679 333	266 165 269	285 679 333	266 165 269
Electricity availability charges	27 688 546	12 292 739	27 688 546	12 292 739
Waste water availability charges	93 928 689	88 754 009	93 928 689	88 754 009
Water availability charges	62 371 973	47 365 073	62 371 973	47 365 073
	1 417 372 822	**1 274 431 744**	**1 417 372 822**	**1 274 431 744**
Net balance	**2 738 259 591**	**2 614 024 534**	**2 738 259 591**	**2 614 024 534**
Rates				
Current (0 -30 days)	181 175 686	164 201 846	181 175 686	164 201 846
31 - 60 days	94 267 174	81 434 790	94 267 174	81 434 790
61 - 90 days	72 392 245	66 659 613	72 392 245	66 659 613
91 - 120 days	65 584 512	65 033 663	65 584 512	65 033 663
121 - 365 days	479 813 278	450 917 308	479 813 278	450 917 308
> 365 days	1 298 037 550	992 565 609	1 298 037 550	992 565 609
	2 191 270 445	**1 820 812 829**	**2 191 270 445**	**1 820 812 829**
Electricity				
Current (0 -30 days)	418 826 289	334 048 213	418 826 289	334 048 213
31 - 60 days	79 543 638	47 443 022	79 543 638	47 443 022
61 - 90 days	68 766 401	33 987 421	68 766 401	33 987 421
91 - 120 days	57 112 390	22 138 988	57 112 390	22 138 988
121 - 365 days	354 431 454	154 274 441	354 431 454	154 274 441
> 365 days	446 248 410	395 506 784	446 248 410	395 506 784
	1 424 928 582	**987 398 869**	**1 424 928 582**	**987 398 869**
Water				
Current (0 -30 days)	180 480 848	204 516 458	180 480 848	204 516 458
31 - 60 days	74 135 452	61 049 221	74 135 452	61 049 221
61 - 90 days	66 665 612	71 840 170	66 665 612	71 840 170
91 - 120 days	59 018 769	66 282 446	59 018 769	66 282 446
121 - 365 days	456 027 471	455 710 852	456 027 471	455 710 852
> 365 days	1 958 220 822	1 598 435 265	1 958 220 822	1 598 435 265
	2 794 548 974	**2 457 834 412**	**2 794 548 974**	**2 457 834 412**
Waste water				
Current (0 -30 days)	66 182 377	66 234 668	66 182 377	66 234 668
31 - 60 days	31 570 932	25 149 282	31 570 932	25 149 282
61 - 90 days	25 852 393	22 824 885	25 852 393	22 824 885
91 - 120 days	23 363 513	21 789 937	23 363 513	21 789 937
121 - 365 days	174 138 059	154 761 799	174 138 059	154 761 799
> 365 days	524 420 013	407 990 434	524 420 013	407 990 434
	845 527 287	**698 751 005**	**845 527 287**	**698 751 005**
Refuse				
Current (0 -30 days)	52 939 019	46 406 927	52 939 019	46 406 927
31 - 60 days	33 288 310	30 849 553	33 288 310	30 849 553
61 - 90 days	29 765 834	28 129 760	29 765 834	28 129 760
91 - 120 days	27 715 946	30 072 166	27 715 946	30 072 166
121 - 365 days	223 125 461	223 593 660	223 125 461	223 593 660
> 365 days	824 744 457	650 574 821	824 744 457	650 574 821
	1 191 579 027	**1 009 626 887**	**1 191 579 027**	**1 009 626 887**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

11. Consumer debtors' disclosure (continued)

Rental debtors				
Current (0 -30 days)	6 225 058	1 566 279	6 225 058	1 566 279
31 - 60 days	1 485 240	1 105 690	1 485 240	1 105 690
61 - 90 days	1 460 358	793 334	1 460 358	793 334
91 - 120 days	1 192 299	880 187	1 192 299	880 187
121 - 365 days	15 692 307	10 246 251	15 692 307	10 246 251
> 365 days	48 746 525	44 522 671	48 746 525	44 522 671
	74 801 787	**59 114 412**	**74 801 787**	**59 114 412**

Other receivables (billing)				
Current (0 -30 days)	14 051 132	16 821 377	14 051 132	16 821 377
31 - 60 days	8 964 541	7 965 221	8 964 541	7 965 221
61 - 90 days	9 252 813	7 174 203	9 252 813	7 174 203
91 - 120 days	7 018 845	7 617 681	7 018 845	7 617 681
121 - 365 days	59 466 208	58 600 299	59 466 208	58 600 299
> 365 days	290 289 092	246 654 980	290 289 092	246 654 980
	389 042 631	**344 833 761**	**389 042 631**	**344 833 761**

Electricity availability charges				
Current (0 -30 days)	1 786 228	923 436	1 786 228	923 436
31 - 60 days	1 686 758	872 012	1 686 758	872 012
61 - 90 days	1 610 721	832 703	1 610 721	832 703
91 - 120 days	1 580 237	816 944	1 580 237	816 944
121 - 365 days	15 016 223	7 763 016	15 016 223	7 763 016
> 365 days	13 911 753	7 192 031	13 911 753	7 192 031
	35 591 920	**18 400 142**	**35 591 920**	**18 400 142**

Waste water availability charges				
Current (0 -30 days)	1 922 203	1 755 730	1 922 203	1 755 730
31 - 60 days	1 884 676	1 722 872	1 884 676	1 722 872
61 - 90 days	1 760 751	1 609 587	1 760 751	1 609 587
91 - 120 days	1 709 988	1 563 181	1 709 988	1 563 181
121 - 365 days	19 029 980	17 396 212	19 029 980	17 396 212
> 365 days	88 066 587	80 505 866	88 066 587	80 505 866
	114 374 185	**104 553 448**	**114 374 185**	**104 553 448**

Water availability charges				
Current (0 -30 days)	2 140 480	1 633 020	2 140 480	1 633 020
31 - 60 days	1 982 138	1 512 218	1 982 138	1 512 218
61 - 90 days	1 930 335	1 472 696	1 930 335	1 472 696
91 - 120 days	1 901 081	1 450 378	1 901 081	1 450 378
121 - 365 days	17 657 938	13 471 638	17 657 938	13 471 638
> 365 days	59 116 505	45 101 311	59 116 505	45 101 311
	84 728 477	**64 641 261**	**84 728 477**	**64 641 261**

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

11. Consumer debtors' disclosure (continued)

Summary of debtors by customer classification

Consumers				
Current (0 -30 days)	430 084 839	264 701 175	430 084 839	264 701 175
31 - 60 days	227 834 577	176 446 705	227 834 577	176 446 705
61 - 90 days	203 591 888	172 122 137	203 591 888	172 122 137
91 - 120 days	182 697 299	166 159 092	182 697 299	166 159 092
121 - 365 days	1 426 687 927	1 226 248 032	1 426 687 927	1 226 248 032
> 365 days	4 768 987 524	3 929 809 951	4 768 987 524	3 929 809 951
	7 239 884 054	5 935 487 092	7 239 884 054	5 935 487 092
Less: Allowance for impairment	(5 500 926 700)	(4 251 439 908)	(5 500 926 700)	(4 251 439 908)
	1 738 957 354	**1 684 047 184**	**1 738 957 354**	**1 684 047 184**

Industrial/commercial				
Current (0 -30 days)	444 468 537	364 744 357	444 468 537	364 744 357
31 - 60 days	89 205 875	70 296 254	89 205 875	70 296 254
61 - 90 days	67 024 718	55 615 963	67 024 718	55 615 963
91 - 120 days	55 988 684	45 306 915	55 988 684	45 306 915
121 - 365 days	364 778 365	306 092 200	364 778 365	306 092 200
> 365 days	761 026 563	677 716 060	761 026 563	677 716 060
	1 782 492 742	1 519 771 749	1 782 492 742	1 519 771 749
Less: Allowance for impairment	(907 207 024)	(700 502 582)	(907 207 024)	(700 502 582)
	875 285 718	**819 269 167**	**875 285 718**	**819 269 167**

National and provincial government				
Current (0 -30 days)	51 175 940	52 277 117	51 175 940	52 277 117
31 - 60 days	11 768 408	12 360 921	11 768 408	12 360 921
61 - 90 days	8 840 859	7 586 272	8 840 859	7 586 272
91 - 120 days	7 511 596	6 179 564	7 511 596	6 179 564
121 - 365 days	22 932 087	14 395 241	22 932 087	14 395 241
> 365 days	21 787 628	17 909 069	21 787 628	17 909 069
	124 016 518	**110 708 184**	**124 016 518**	**110 708 184**

Total				
Current (0 -30 days)	925 729 316	681 722 650	925 729 316	681 722 650
31 - 60 days	328 808 859	259 103 880	328 808 859	259 103 880
61 - 90 days	279 457 465	235 324 372	279 457 465	235 324 372
91 - 120 days	246 197 580	217 645 571	246 197 580	217 645 571
121 - 365 days	1 814 398 379	1 546 735 474	1 814 398 379	1 546 735 474
> 365 days	5 551 801 716	4 625 435 080	5 551 801 716	4 625 435 080
	9 146 393 315	7 565 967 027	9 146 393 315	7 565 967 027
Less: Allowance for impairment	(6 408 133 725)	(4 951 942 491)	(6 408 133 725)	(4 951 942 491)
	2 738 259 590	**2 614 024 536**	**2 738 259 590**	**2 614 024 536**

Less: Allowance for impairment				
Current (0 -30 days)	(673 489 737)	(608 897 283)	(673 489 737)	(608 897 283)
31 - 60 days	(228 598 407)	(168 981 927)	(228 598 407)	(168 981 927)
61 - 90 days	(195 048 263)	(155 326 908)	(195 048 263)	(155 326 908)
91 - 120 days	(171 534 598)	(140 428 496)	(171 534 598)	(140 428 496)
121 - 365 days	(1 253 569 198)	(988 265 130)	(1 253 569 198)	(988 265 130)
> 365 days	(3 885 893 521)	(2 890 042 747)	(3 885 893 521)	(2 890 042 747)
	(6 408 133 724)	**(4 951 942 491)**	**(6 408 133 724)**	**(4 951 942 491)**

Notes to the Audited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2025	2024 *Restated	2025	2024 *Restated

11. Consumer debtors' disclosure (continued)

Reconciliation of allowance for impairment					
Balance at beginning of the year		(4 951 942 491)	(4 026 159 305)	(4 951 942 491)	(4 026 159 305)
Contributions to allowance		(2 165 946 947)	(1 371 849 415)	(2 165 946 947)	(1 371 849 415)
Bad debts written off against allowance		709 755 713	446 066 229	709 755 713	446 066 229
		(6 408 133 725)	**(4 951 942 491)**	**(6 408 133 725)**	**(4 951 942 491)**

Reconciliation of allowance for impairment - Receivables from exchange and non-exchange					
Balance at beginning of the year		(4 951 942 491)	(4 026 159 305)	(4 951 942 491)	(4 026 159 305)
Contributions to allowance - Receivable from non-exchange transaction	9	(535 359 699)	(338 514 778)	(535 359 699)	(338 514 778)
Contributions to allowance - Receivable from exchange transaction	10	(1 630 587 248)	(1 033 334 637)	(1 630 587 248)	(1 033 334 637)
Bad debts written off - Receivable from non-exchange transaction	9	218 101 105	136 950 974	218 101 105	136 950 974
Bad debts written off - Receivable from exchange transaction	10	491 654 608	309 115 255	491 654 608	309 115 255
		(6 408 133 725)	**(4 951 942 491)**	**(6 408 133 725)**	**(4 951 942 491)**

Contribution of allowance for impairment - Receivable from non-exchange transaction includes VAT of R(13 963 463) : 2024: R(10 373 394) , amount recognised in Statement of Financial Performance is R(521 396 235) : 2024 R(328 141 384) Refer to note 45

Contribution of allowance for impairment - Receivable from exchange transaction includes VAT of R(212 685 293) : 2024: R(134 782 779) , amount recognised in Statement of Financial Performance is R(1 417 901 955) : 2024 R(898 551 858) Refer to note 45

Credit quality of consumer debtors

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date on which the credit was initially granted, up to the reporting date. The concentration of credit risk is limited but take into consideration the repayments trends and collection rate, as the consumer base is large and unrelated. Accordingly, management believes that further credit provision is required in excess of the present allowance for doubtful debts.

Consumer debtors past due but not impaired				
Current (0 -30 days)	252 239 579	72 825 366	252 239 579	72 825 366
31 - 60 days	100 210 452	90 121 953	100 210 452	90 121 953
61 - 90 days	84 409 202	79 997 464	84 409 202	79 997 464
91 - 120 days	74 662 982	77 217 075	74 662 982	77 217 075
121 - 365 days	560 829 181	558 470 344	560 829 181	558 470 344
> 365 days	1 665 908 195	1 735 392 334	1 665 908 195	1 735 392 334
	2 738 259 591	**2 614 024 536**	**2 738 259 591**	**2 614 024 536**

The ageing of consumer debts impaired				
Current (0 -30 days)	673 489 737	608 897 283	673 489 737	608 897 283
31 - 60 days	228 598 407	168 981 927	228 598 407	168 981 927
61 - 90 days	195 048 263	155 326 908	195 048 263	155 326 908
91 - 120 days	171 534 598	140 428 496	171 534 598	140 428 496
121 - 365 days	1 253 569 198	988 265 130	1 253 569 198	988 265 130
> 365 days	3 885 893 521	2 890 042 747	3 885 893 521	2 890 042 747
	6 408 133 724	**4 951 942 491**	**6 408 133 724**	**4 951 942 491**

The City hold deposits as security in respect of consumable services.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	94 130	95 390	93 784	93 784
Bank balances	95 641 694	142 470 955	62 394 682	105 248 519
Short-term deposits	635 292 759	578 420 212	635 292 759	578 420 212
	731 028 583	**720 986 557**	**697 781 225**	**683 762 515**

Allocation of external investments (call and short-term deposits)				
Own funding (operating account commitments)	635 292 759	578 420 212	635 292 759	578 420 212

Call and short-term deposits per institution				
Absa (interest rate range : 2025 - 7.55% to 8.05% | 2024 : 7.55%)	113 946 126	129 996 846	113 946 126	129 996 846
Nedbank (interest rate range : 2025 - 7.30% to 8.05% | 2024 : 9.21%)	185 376 746	158 159 726	185 376 746	158 159 726
FNB (interest rate range : 2025 - 7.35% to 8.10% | 2024 : 9.03%)	197 561 286	173 896 034	197 561 286	173 896 034
Standard Bank (interest rate range : 2025 - 7.30% to 8.05% | 2024 : 9.00%)	130 789 553	64 239 568	130 789 553	64 239 568
Stanlib (interest rate range : 2025 - 7.30% to 8.05% | 2024 : 7.78%	7 619 048	52 128 038	7 619 048	52 128 038
	635 292 759	**578 420 212**	**635 292 759**	**578 420 212**

There is a gradual decline in interest rates between the 2024 and 2025 financial years due to constant interest rates drop by the SARB MPC.

Own funding includes the insurance and Compensation for Occupational Injuries and Diseases (COID) purposes.

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash. No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

A cession by the Municipality in respect of the Department of Labour for COID amounts to R25 723 985 (2024: R23 828 947)

Refer to note 31 for interest earned on bank and call deposits.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
STANDARD BANK - Primary Account - 081-166-702	40 576 813	82 062 029	43 238 367	82 783 848
STANDARD BANK - Market Account - 081-167-873	18 769 540	9 206 515	4 258 052	3 156 994
STANDARD BANK - Prism Account - 081-167-776	-	-	14 898 264	19 307 677
First National Bank - Public Sector Cheque Account - 620-9871-7899	810 015	7 850 478	810 015	7 850 478
First National Bank - Commercial Money Market Account - 620-9871-9358	32 420 662	21 942 780	32 420 662	21 942 780
First National Bank - Public Sector Cheque Account - 629-0192-1983	16 334	7 429 178	16 334	7 429 178
Total	**92 593 364**	**128 490 980**	**95 641 694**	**142 470 955**

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

13. Revaluation reserve

Opening balance	12 342 616 021	21 664 108 228	12 342 616 021	21 664 108 228
Change during the year	(1 762 016 979)	(9 321 492 207)	(1 762 016 979)	(9 321 492 207)
	10 580 599 042	**12 342 616 021**	**10 580 599 042**	**12 342 616 021**

14. Other liabilities

West Bank Land Affairs	147 346 920	136 557 314	147 346 920	136 557 314
East Bank Land Affairs	126 564 448	117 354 949	126 564 448	117 354 949
	273 911 368	**253 912 263**	**273 911 368**	**253 912 263**

West Bank Land Affairs

This amount relates to funding which BCMM administers on behalf of the department of Land Affairs for the benefit of restitution and claimants. These funds have not been spent due to slow progress in the restitution processes. BCMM has no control on the spending or use of this funding. The City does not recognise any revenue from the above funds, hence it is reclassified in the year under review to other liabilities.

East Bank Land Affairs

This amount relates to funding which BCMM administers on behalf of the department of Land Affairs for the benefit of restitution and claimants. These funds have not been spent due to slow progress in the restitution processes. BCMM is the developer under this arrangement, thereby control of progress is within the City which gives rise to GRAP 11 and is adequately accounted for under note 26 Construction contracts.

15. Operating lease liability

Current liabilities	65 981	152 657	-	-

The Agency entered into lease agreements for its two multifunctional printers and office space. GRAP 13 requires straight lining of the lease payments over the duration of the lease term. The Agency entered into a new lease for office space on 1 March 2025, the lease has an escalation clause of 6% per annum. The above operating lease accrual is therefore as a result of adhering with the standard.

16. Employee benefit obligations

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

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	927 663 000	837 261 000	927 663 000	837 261 000
Non-current liabilities	(861 290 000)	(770 563 000)	(861 290 000)	(770 563 000)
Current liabilities	(66 373 000)	(66 698 000)	(66 373 000)	(66 698 000)
Net liability	**(927 663 000)**	**(837 261 000)**	**(927 663 000)**	**(837 261 000)**

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

Opening balance	837 261 000	774 719 000	837 261 000	774 719 000
Service cost	46 619 000	45 409 000	46 619 000	45 409 000
Interest cost	94 834 000	89 607 000	94 834 000	89 607 000
Remeasurements	15 647 000	(13 104 000)	15 647 000	(13 104 000)
Contributions / payments by employer	(66 698 000)	(59 370 000)	(66 698 000)	(59 370 000)
	927 663 000	**837 261 000**	**927 663 000**	**837 261 000**

Figures in Rand		Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

16. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance are as follows:

Service cost		46 619 000	45 409 000	46 619 000	45 409 000
- Current service cost		46 619 000	45 409 000	46 619 000	45 409 000
Net interest on the net defined benefit liability		94 834 000	89 607 000	94 834 000	89 607 000
Remeasurements of the net defined benefit liability		-	-		
- Actuarial gains and losses arising from:		15 647 000	(13 104 000)	15 647 000	(13 104 000)
- Changes in financial assumptions		21 259 000	(10 213 000)	21 259 000	(10 213 000)
- Experience adjustments		(5 612 000)	(2 891 000)	(5 612 000)	(2 891 000)
Contributions / payments by employer		(66 698 000)	(59 370 000)	(66 698 000)	(59 370 000)
Net costs per Statement of Financial Performance	38	**90 402 000**	**62 542 000**	**90 402 000**	**62 542 000**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

16. Employee benefit obligations (continued)

Post-retirement medical contribution amounts recognised in the statement of financial position

Present value of the defined benefit obligation	630 641 000	560 619 000	630 641 000	560 619 000

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

Opening balance	560 619 000	511 671 000	560 619 000	511 671 000
Service cost	23 180 000	21 896 000	23 180 000	21 896 000
Interest costs	67 073 000	62 565 000	67 073 000	62 565 000
Remeasurements	4 866 000	(15 017 000)	4 866 000	(15 017 000)
Contributions / payments by employer	(25 097 000)	(20 496 000)	(25 097 000)	(20 496 000)
	630 641 000	**560 619 000**	**630 641 000**	**560 619 000**

Net expense recognised in the statement of financial performance are as follows:

Service cost	23 180 000	21 896 000	23 180 000	21 896 000
- Current service cost	23 180 000	21 896 000	23 180 000	21 896 000
Net interest on the net defined benefit liability	67 073 000	62 565 000	67 073 000	62 565 000
Remeasurements of the net defined benefit liability	-	-		
- Actuarial gains and losses arising from:	4 866 000	(15 017 000)	4 866 000	(15 017 000)
- Changes in financial assumptions	21 608 000	(7 954 000)	21 608 000	(7 954 000)
- Experience adjustments	(16 742 000)	(7 063 000)	(16 742 000)	(7 063 000)
Contributions / payments by employer	(25 097 000)	(20 496 000)	(25 097 000)	(20 496 000)
	70 022 000	**48 948 000**	**70 022 000**	**48 948 000**

The best estimates for the employer benefit payments in the 2024/25 financial period is expected to be R 26 394 000 (The actual employer benefit payments in the 2023/24 financial period was R25 097 000).

The municipality’s defined benefit obligation as at 30 June 2025 was estimated to be R 630 641 000. Since there is no plan asset, this is also the municipality’s net defined benefit liability. The current service cost was estimated to be R 23 180 000 for the year ending 30 June 2025, and R 25 789 000 for the ensuing year. Since there is no past service cost, the service cost is equal to the current service cost.

The municipality’s employees contribute to 5 accredited medical aid schemes, namely LA Health, Bonitas, Key Health, SAMWU Med and Hosmed. Pensioners continue on the option they belonged to on the day of their retirement.

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was prepared in July by ARCH Actuarial Consulting using the Projected Unit Credit Method.

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary member.

The valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the defined benefit obligation and future service costs are recognised over time.

In estimating the net defined benefit liability for the post-employment health care benefits a number of assumptions are required.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.20 %	12.23 %	11.20 %	12.23 %
CPI (Consumer Price Inflation)	5.20 %	6.21 %	5.20 %	6.21 %
Health care cost inflation rate	7.00 %	7.71 %	7.00 %	7.71 %
Net-of-health-care-cost-inflation discount rate	3.90 %	4.20 %	3.90 %	4.20 %
Maximum subsidy inflation rate	4.70 %	5.41 %	4.70 %	5.41 %
Net-of-maximum-subsidy-inflation discount rate	6.30 %	6.47 %	6.30 %	6.47 %
Continuation of membership at retirement	75.00 %	75.00 %	75.00 %	75.00 %
Proportion with a spouse dependent at retirement	60.00 %	60.00 %	60.00 %	60.00 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	10.00 %	10.00 %	10.00 %	10.00 %
Average retirement age	62	62	62	62
Mortality during employment	SA 85-90	SA 85-90	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Comparison of in-service members statistics				
Total number of eligible employees	4 876	5 067	4 876	5 067
Number of in-service members	3 290	3 407	3 290	3 407
Average age	47.6	46.8	47.6	46.8
Average past service	13.9	13.6	13.9	13.6
Average current value of post-employment subsidy p.m.	R 3 277	R 3 015	R 3 277	R 3 015
Comparison of in-service non-members statistics				
Number of in-service non-members	1 586	1 660	1 586	1660
Average age	47.9	47.5	47.9	47.5
Average past service	13.1	12.6	13.1	12.6
Average current value of post-employment subsidy p.m.	R 3 515	R 3 174	R 3 515	R 3 174
Continuation members				
Number of principal members	488	488	488	488
Proportion with a spouse dependent	37 %	38 %	37%	38%
Average age of members	73.1	72.8	73.1	72.8
Average subsidy per month	R 3 955	R 3 767	R 3 955	R 3 767

16. Employee benefit obligations (continued)

Sensitivity Results

The defined benefit obligation at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed medical aid contribution inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a one-year age increase and decrease in the assumed rates of post-employment mortality;
- a one-year decrease in the assumed average retirement age; and
- a decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total	% change
Central assumptions		402.820	227.821	630.641	
Medical aid contribution inflation rate	+1%	437.725	241.474	679.199	8%
	-1%	359.449	213.732	573.181	-9%
Discount rate	+1%	345.717	211.578	557.295	-12%
	-1%	474.168	246.566	720.734	14%
Post-employment mortality	+1 yr	393.979	220.263	614.242	-3%
	-1 yr	411.431	235.398	646.829	3%
Average retirement age	-1 yr	445.575	227.821	673.396	7%
Membership continuation	-10%	349.111	227.821	576.932	-9%

Sensitivity analysis on current service and interest costs for year ending 30/06/2025

Assumption	Change	Current-Svc. Cost	Interest Cost	Total Cost	% change
Central assumptions		23 180 000	67 073 000	90 253 000	
Medical aid contribution inflation rate	+1%	25 559 000	72 582 000	98 141 000	9%
	-1%	20 287 000	60 782 000	81 069 000	-10%
Discount rate	+1%	19 730 000	64 159 000	83 889 000	-7%
	-1%	27 520 000	70 313 000	97 833 000	8%
Post-employment mortality	+1 yr	22 681 000	65 304 000	87 985 000	-3%
	-1 yr	23 665 000	68 818 000	92 483 000	2%
Average retirement age	-1 yr	24 680 000	71 594 000	96 274 000	7%
Membership continuation	-10%	20 093 000	61 447 000	81 540 000	-10%

Sensitivity analysis on current service and interest costs for year ending 30/06/2026

Assumption	Change	Current-Svc. Cost	Interest Cost	Total Cost	% change
Central assumptions		25 789 000	69 193 000	94 982 000	
Medical aid contribution inflation rate	+1%	28 224 000	74 625 000	102 849 000	8%
	-1%	22 695 000	62 764 000	85 459 000	-10%
Discount rate	+1%	21 924 000	66 427 000	88 351 000	-7%
	-1%	30 656 000	72 201 000	102 857 000	8%
Post-employment mortality	+1 yr	25 232 000	67 359 000	92 591 000	-3%
	-1 yr	26 333 000	71 003 000	97 336 000	2%
Average retirement age	-1 yr	27 112 000	73 911 000	101 023 000	6%
Membership continuation	-10%	22 350 000	63 200 000	85 550 000	-10%

16. Employee benefit obligations (continued)

History of Liabilities, Assets and Experience Adjustments (R millions)

The table below summarises the defined benefit obligation and the plan assets for the current period and previous periods.

Net Defined Benefit Liability History	30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025
Defined benefit obligation	512.157	533.474	511.671	560.619	630.641
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Net defined benefit liability	**512.157**	**533.474**	**511.671**	**560.619**	**630.641**

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has occurred.

Experience adjustments	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024	Year ending 30/06/2025
Liabilities: (Gain) / Loss	55.349	50.570	(1.671)	(7.063)	(16.742)
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

16. Employee benefit obligations (continued)
Long service awards - Amounts recognised in the statement of financial position

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	297 022 000	276 642 000	297 022 000	276 642 000

Long service awards - Changes in the present value of the defined benefit obligation are as follows:

Opening balance	276 642 000	263 048 000	276 642 000	263 048 000
Service cost	23 439 000	23 513 000	23 439 000	23 513 000
Interest costs	27 761 000	27 042 000	27 761 000	27 042 000
Remeasurements	10 781 000	1 913 000	10 781 000	1 913 000
Contributions / payments by employer	(41 601 000)	(38 874 000)	(41 601 000)	(38 874 000)
	297 022 000	**276 642 000**	**297 022 000**	**276 642 000**

Long service awards - Net expense recognised in the statement of financial performance are as follows:				
Service cost	23 439 000	23 513 000	23 439 000	23 513 000
- Current service cost	23 439 000	23 513 000	23 439 000	23 513 000
Net interest on the net defined benefit liability	27 761 000	27 042 000	27 761 000	27 042 000
Remeasurements of the net defined benefit liability	-	-		
- Actuarial gains and losses arising from:	10 781 000	1 913 000	10 781 000	1 913 000
- Changes in financial assumptions	(349 000)	(2 259 000)	(349 000)	(2 259 000)
- Experience adjustments	11 130 000	4 172 000	11 130 000	4 172 000
Contributions / payments by employer	(41 601 000)	(38 874 000)	(41 601 000)	(38 874 000)
	20 380 000	**13 594 000**	**20 380 000**	**13 594 000**

Key assumptions used

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The average expected remaining working-lifetime of eligible employees is 14.5 years (2023/24 : 15.1 years).

Assumptions used at the reporting date:				
Discount rate	9.50 %	10.83 %	9.50 %	10.83 %
CPI inflation rate	3.50 %	4.98 %	3.50 %	4.98 %
Normal salary increase rate	4.50 %	5.98 %	4.50 %	5.98 %
Net effective discount rate	4.80 %	4.57 %	4.80 %	4.57 %
Number of eligible employees	4 876	5 067	4 876	5 067

Sensitivity analysis

The liability at the Valuation Date was recalculated to show the effect of:
- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the assumed discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of termination of service.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central assumptions		279 022 000	
General earnings inflation rate	+1%	310 900 000	5%
	-1%	284 220 000	-4%
Discount rate	+1%	282 315 000	-5%
	-1%	313 237 000	5%
Average retirement age	+2 yrs	329 341 000	11%
	-2 yrs	263 480 000	-11%
Rates of termination of service	x2	249 615 000	-16%
	x0.5	327 566 000	10%

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

16. Employee benefit obligations (continued)

Sensitivity analysis on current service and interest costs for year ending 30/06/2025

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		23 439 000	27 761 000	51 200 000	
General earnings inflation rate	+1%	24 802 000	29 195 000	53 997 000	5%
	-1%	22 193 000	26 439 000	48 632 000	-5%
Discount rate	+1%	22 249 000	28 699 000	50 948 000	0%
	-1%	24 760 000	26 688 000	51 448 000	0%
Average retirement age	+2 yrs	25 565 000	30 945 000	56 510 000	10%
	-2 yrs	21 208 000	24 516 000	45 724 000	-11%
Rates of termination of service	x2	18 476 000	228 840 000	41 316 000	-19%
	x0.5	26 816 000	30 965 000	57 781 000	13%

Sensitivity analysis on current service and interest costs for year ending 30/06/2026

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		23 650 000	26 140 000	49 790 000	
General earnings inflation rate	+1%	24 983 000	27 458 000	52 441 000	5%
	-1%	22 430 000	24 924 000	47 354 000	-5%
Discount rate	+1%	22 467 000	27 353 000	49 820 000	0%
	-1%	24 963 000	24 762 000	49 725 000	0%
Average retirement age	+2 yrs	25 875 000	29 159 000	55 034 000	11%
	-2 yrs	21 310 000	23 020 000	44 330 000	-11%
Rates of termination of service	x2	18 848 000	21 668 000	40 516 000	-19%
	x0.5	26 880 000	29 026 000	55 906 000	12%

History of Liabilities, Assets and Experience Adjustments (R Millions)

The table below summarises the defined benefit obligation and the plan asset for the current period and the previous four periods.

Net Defined Benefit Liability History	30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025
Defined benefit obligation	275.058	321.401	263.048	276.642	297.022
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	**275.058**	**321.401**	**263.048**	**276.642**	**297.022**

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has occurred.

Experience adjustments	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024	Year ending 30/06/2025
Defined benefit obligation: (Gain) / Loss	5.198	25.383	(78.428)	4.172	11.130
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Unspent conditional grants and receipts				
National Government Grants	126 729 385	18 880 051	126 453 257	13 966 292
Provincial Government Grants	34 492 415	7 180 860	34 492 415	7 180 860
Other Conditional Grants	5 007 316	2 318 446	5 007 316	2 318 446
	166 229 116	**28 379 357**	**165 952 988**	**23 465 598**

National Government	Unspent balance 2024	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2025
Financial Management Grant (FMG)	1 818	1 000 000	(981 406)	-	(1 818)	18 594
Neighbourhood Development Partnership Grant (NDPG)	5 437 936	2 000 000	-	(1 610 778)	(5 437 936)	389 222
Neighbourhood Development Partnership Grant (NDP) PEP	1 347	35 655 000	(34 312 227)	-	(1 344 066)	54
Programme and Project Preparation Support Grant(PPPSG)	1 219 939	15 000 000	(15 000 000)	-	(1 219 939)	-
Urban Settlement Development Grant (USDG)	5 845 587	625 365 000	(59 064 403)	(485 642 441)	(60 317 636)	26 186 107
Expanded Public Works Programme (EPWP)	344	2 314 000	(2 313 792)	-	-	552
Informal Settlements Upgrading Partnership Grant (ISUPG)	1 305 193	235 622 000	(21 969 205)	(193 267 549)	(21 689 964)	475
Infrastructure Skills Development Grant (ISDG)	235	11 000 000	(10 436 182)	(56 200)	(143 525)	364 328
Public Transport Network Grant (PTNG)	153 893	-	-	-	-	153 893
Municipal Disaster Recovery Grant	-	78 000 000	-	(6 513 939)	(142 425)	71 343 636
Municipal Disaster Relief Grant	-	44 600 000	-	(15 395 404)	(1 208 200)	27 996 396
NDPG - Integrated Waste Management Grant - BCMDA	4 913 759	191 818	(6 729 451)	-	1 900 002	276 128
Total	**18 880 050**	**1 050 747 818**	**(150 806 666)**	**(702 486 311)**	**(89 605 507)**	**126 729 385**

Provincial Government	Unspent balance 2024	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2025
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission	1 560 650	122 473	-	-	-	1 683 123
Gompo Survey (DVRI Hydroponics)	98 532	-	-	-	-	98 532
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - Land Affairs	231 681	18 247	-	-	-	249 928
Mdantsane Urban Renewal Project (Mount Ruth Node)	3 602 815	282 731	-	-	-	3 885 546
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
Department of Transport	-	30 000 000	(3 111 895)	-	-	26 888 105
Total	**7 180 860**	**30 423 451**	**(3 111 895)**	**-**	**-**	**34 492 415**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

17. Unspent conditional grants and receipts (continued)

Other Conditional Grants	Unspent balance 2024	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2025
Buffalo City Metro Transport (BCMET) Funding	2 953	-	-	-	-	2 953
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	44 424	29 550	-	-	-	73 974
Leiden	105 706	7 946	-	-	-	113 652
Umsobomvu Youth Fund	355 347	31 159	-	-	-	386 506
City of Oldenburg	1 561 990	2 756 817	(136 601)	-	-	4 182 206
Total	**2 318 445**	**2 825 472**	**(136 601)**	**-**	**-**	**5 007 316**

National Government (2024)	Unspent balance 2023	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2024
Financial Management Grant (FMG)	583	1 000 000	(995 426)	-	(3 339)	1 818
Neighbourhood Development Partnership Grant (NDPG)	15 028	10 000 000	-	(3 967 037)	(610 055)	5 437 936
Neighbourhood Development Partnership Grant (NDP) PEP	9 841 358	20 581 000	(25 744 624)	-	(4 676 387)	1 347
Programme and Project Preparation Support Grant(PPPSG)	717	12 908 000	(10 383 909)	-	(1 304 869)	1 219 939
Urban Settlement Development Grant (USDG)	65	618 034 000	(28 882 257)	(520 455 658)	(62 850 563)	5 845 587
Expanded Public Works Programme (EPWP)	985	6 093 000	(6 093 641)	-	-	344
Informal Settlements Upgrading Partnership Grant (ISUPG)	604	277 122 000	(22 946 548)	(238 791 423)	(14 079 440)	1 305 193
Infrastructure Skills Development Grant (ISDG)	113 422	10 770 000	(10 608 647)	(145 401)	(129 139)	235
Public Transport Network Grant (PTNG)	153 893	-	-	-	-	153 893
NDPG - Integrated Waste Management Grant - BCMDA	1 353 802	8 672 127	(4 199 357)	-	(912 813)	4 913 759
Total	**11 480 456**	**965 180 127**	**(109 854 409)**	**(763 359 519)**	**(84 566 605)**	**18 880 051**

17. Unspent conditional grants and receipts (continued)

Provincial Government (2024)	Unspent balance 2023	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2024
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission	1 440 013	120 637	-	-	-	1 560 650
Gompo Survey (DVRI Hydroponics)	98 532	-	-	-	-	98 532
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - Land Affairs	213 707	17 974	-	-	-	231 681
Mdantsane Urban Renewal Project (Mount Ruth Node)	3 324 321	278 494	-	-	-	3 602 815
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
Total	**6 763 755**	**417 105**	**-**	**-**	**-**	**7 180 860**

Other Conditional Grants (2024)	Unspent balance 2023	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2024
Buffalo City Metro Transport (BCMET) Funding	2 953	-	-	-	-	2 953
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	31 359	28 035	(14 970)	-	-	44 424
Leiden	97 207	8 499	-	-	-	105 706
Umsobomvu Youth Fund	324 655	30 692	-	-	-	355 347
City of Oldenburg	1 104 626	457 364	-	-	-	1 561 990
Total	**1 808 825**	**524 590**	**(14 970)**	**-**	**-**	**2 318 446**

Other balances relate to ring fenced trust funding projects.

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

18. Borrowings

At amortised cost				
Annuity loans	79 793 734	108 607 631	79 793 734	108 607 631
Non-current liabilities				
At amortised cost	54 707 887	79 793 735	54 707 887	79 793 735
Current liabilities				
At amortised cost	25 085 847	28 813 896	25 085 847	28 813 896

The municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the borrowings were re-negotiated.

Average interest rate is 8.30% (2024: 8.26%). Refer to note 43 for finance cost relating to borrowings.

The above loans relate to DBSA. These are unsecured loans paid bi-annually.

19. Finance lease obligation

Minimum lease payments due				
- within one year	57 585	177 147	-	-
- in second to fifth year inclusive	-	57 586	-	-
	57 585	234 733	-	-
less: future finance charges	(1 916)	(21 452)	-	-
Present value of minimum lease payments	**55 669**	**213 281**	**-**	**-**
Non-current liabilities	-	55 669	-	-
Current liabilities	55 669	157 612	-	-
	55 669	**213 281**	**-**	**-**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

20. Provisions

Reconciliation of provisions - Economic entity - 2025

	Opening Balance	Additions/ (Reductions)	Utilised during the year	Increase/ (decrease)	Interest	Total
Landfill sites	424 575 999	18 332 556	-	-	35 484 629	478 393 184
Bonus provision	65 743 796	63 305 236	(60 233 336)	(4 439 471)	-	64 376 225
	490 319 795	**81 637 792**	**(60 233 336)**	**(4 439 471)**	**35 484 629**	**542 769 409**

Reconciliation of provisions - Economic entity - 2024

	Opening Balance	Additions/ (Reductions)	Utilised during the year	Increase	Interest	Total
Landfill sites	417 747 743	(27 790 300)	-	-	34 618 556	424 575 999
Bonus provision	58 206 753	65 743 796	(61 593 150)	3 386 397	-	65 743 796
	475 954 496	**37 953 496**	**(61 593 150)**	**3 386 397**	**34 618 556**	**490 319 795**

Reconciliation of provisions - Controlling entity - 2025

	Opening Balance	Additions	Utilised during the year	Increase/ (decrease)	Interest	Total
Landfill sites	424 575 999	18 332 556	-	-	35 484 629	478 393 184
Bonus provision	64 672 807	63 305 236	(60 233 336)	(4 439 471)	-	63 305 236
	489 248 806	**81 637 792**	**(60 233 336)**	**(4 439 471)**	**35 484 629**	**541 698 420**

Reconciliation of provisions - Controlling entity - 2024

	Opening Balance	Additions/ (Reductions)	Utilised during the year	Increase	Interest	Total
Landfill sites	417 747 743	(27 790 300)	-	-	34 618 556	424 575 999
Bonus provision	58 206 753	64 672 807	(61 593 150)	3 386 397	-	64 672 807
	475 954 496	**36 882 507**	**(61 593 150)**	**3 386 397**	**34 618 556**	**489 248 806**

Non-current liabilities	135 496 554	108 298 655	135 496 554	108 298 655
Current liabilities	407 272 855	382 021 140	406 201 866	380 950 151
	542 769 409	**490 319 795**	**541 698 420**	**489 248 806**

The municipality manages twelve landfill sites, of which ten are closed and two are active. The costs of rehabilitation include, inter alia, the application of final cover, topsoil, vegetating, drainage maintenance and leachate management, in order to comply with the "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, published by the Department of Water Affairs and Forestry".

For the ten closed sites, in consultation with management, and through inspection of the sites, it was determined that there had been no significant changes to the utilization of the sites from the prior year. Therefore, the present values of the costs of the rehabilitation of the sites calculated in 2024 were extended for the current year. These costs were adjusted to an estimated future cost using the Cost Price Adjustments Provisions (CPAP) work group publication (an inflation-based index appropriate to general earthworks), these were then discounted to present values using the municipality’s borrowing rates.

For the two active sites, the extent of the work required given the current utilization of the sites was determined in consultation with management, measurements of the sites and remaining airspace, and on-site inspection of the facilities and compaction of waste. Based on this analysis, and with reference to current pricing information, unit rates for rehabilitation costs were determined as well as the expected remaining useful lives of the sites. These costs were then adjusted over the remaining useful lives of the sites and the anticipated rehabilitation period, using the CPAC rates, which were then discounted to present values using the municipality’s borrowing rate.

Assumptions used

The Cost Price Adjustments Provisions (Statistical Release: P0151.1) was taken as 6.27% (2024: Consumer Price Index at 5.48%).

		Economic entity		Controlling entity	
Figures in Rand		2025	2024 *Restated	2025	2024 *Restated

20. Provisions (continued)

Interest rate used is BCMM's borrowing rate at 8.30% (2024: 8.26%).

Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years.

Detailed valuations reports are available at the municipality's offices which give additional detail on the methodology used.

The valuation for the landfill site provision in 2025 was performed by a suitably qualified and experienced team, lead by T.McNeil, who is a member of the South African Institution of Civil Engineers – Member No. 20121055 and the Institute of Waste Management Southern Africa (IWMSA) Member No. 10111146.

The expense relating to the provision of bonus is included under note 38 Employee related costs. All staff is entitled to a 13th cheque except the sec57 employees (Municipal Manager, CFO and HOD's). The 13th cheque is paid in the month that the staff member completes a years service and then annually thereafter. For the calculation of bonus provision an assumption of 5% salary increase was used.

21. Trade payables from exchange transactions

Trade payables	24	1 013 158 965	990 454 899	1 012 893 135	987 919 506
Payments received in advanced	24	232 240 478	317 592 663	232 240 478	317 592 663
Retention monies	24	84 387 520	86 598 788	79 813 672	82 024 940
Accrued leave pay	24	156 420 933	148 526 988	156 420 933	148 526 988
Deposits received	24	8 007 379	11 406 393	8 006 379	11 405 393
Other creditors	24	128 615 204	203 144 962	126 539 769	200 747 244
VAT accrual on receivables	23	-	10 067 761	-	7 889 329
		1 622 830 479	**1 767 792 454**	**1 615 914 366**	**1 756 106 063**

22. Consumer deposits

Electricity	54 820 541	53 416 427	54 820 541	53 416 427
Water	35 153 862	33 721 216	35 153 862	33 721 216
	89 974 403	**87 137 643**	**89 974 403**	**87 137 643**

The amounts reflected represent a cost value which is viewed to be the approximate fair value.

The consumer deposits are reflected at nominal value as they are utilised as part of the settlement of final consumer accounts.

Guarantees held in lieu of Electricity and Water deposits amounted to R89 974 403 (2024: R87 137 643).

23. VAT receivable

VAT accrual on payables	10	127 652 040	123 153 871	127 236 457	121 927 743
VAT control	10	35 876 756	49 847 072	35 675 950	49 729 899
VAT accrual on receivables	21	83 077 698	(10 067 761)	83 319 728	(7 889 329)
		246 606 494	**162 933 182**	**246 232 135**	**163 768 313**

The above VAT receivable amount is the net amount of total VAT input R945 261 512 (June 2024: R832 252 350) less total VAT output R920 354 003 (June 2024: R811 290 398).

VAT Output includes VAT on impaired debtors of R221 324 626 (2024: R142 806 361).

VAT on impaired debtors	221 324 626	142 806 361	221 324 626	142 806 361
Output VAT	(920 354 003)	(811 290 398)	(920 354 003)	(811 290 398)
	(699 029 377)	(668 484 037)	(699 029 377)	(668 484 037)
Input VAT	945 635 871	831 417 219	945 261 512	832 252 350
	246 606 494	**162 933 182**	**246 232 135**	**163 768 313**

The municipality is registered on the payment basis. VAT is declared to SARS on receipt of payments from customers and claimed once payment is made to suppliers.

24. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2025

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	505 266 405	505 266 405
Trade and other receivables from exchange transactions	10	1 940 644 906	1 940 644 906
Cash and cash equivalents	12	731 028 583	731 028 583
		3 176 939 894	**3 176 939 894**

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	21	-	232 240 478	232 240 478
Borrowings: Other financial liabilities	18	-	79 793 734	79 793 734
Trade and other payables from exchange transactions	21	-	1 226 161 689	1 226 161 689
Consumer deposits	22	89 974 403	-	89 974 403
Other deposits	21	8 007 379	-	8 007 379
		97 981 782	**1 538 195 901**	**1 636 177 683**

Economic entity - 2024

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	445 219 796	445 219 796
Trade and other receivables from exchange transactions	10	1 827 843 760	1 827 843 760
Cash and cash equivalents	12	720 986 557	720 986 557
		2 994 050 113	**2 994 050 113**

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	21	-	317 592 663	317 592 663
Borrowings: Other financial liabilities	18	-	108 607 631	108 607 631
Trade and other payables from exchange transactions	21	-	1 280 198 649	1 280 198 649
Consumer deposits	22	87 137 643	-	87 137 643
Other deposits	21	11 406 393	-	11 406 393
		98 544 036	**1 706 398 943**	**1 804 942 979**

24. Financial instruments disclosure (continued)

Controlling entity - 2025

Financial assets

	Note	At amortised cost	Total
Other receivables from non-exchange transactions	9	504 978 431	504 978 431
Trade and other receivables from exchange transactions	10	1 940 464 946	1 940 464 946
Cash and cash equivalents	12	697 781 225	697 781 225
		3 143 224 602	**3 143 224 602**

Financial liabilities

	Note	At fair value	At amortised cost	Total
Payments received in advance	21	-	232 240 478	232 240 478
Borrowings: Other financial liabilities	18	-	79 793 734	79 793 734
Trade and other payables from exchange transactions	21	-	1 219 246 576	1 219 246 576
Consumer deposits	22	89 974 403	-	89 974 403
Other deposits	21	8 006 379	-	8 006 379
		97 980 782	**1 531 280 788**	**1 629 261 570**

Controlling entity - 2024

Financial assets

	Note	At amortised cost	Total
Other receivables from non-exchange transactions	9	445 219 795	445 219 795
Trade and other receivables from exchange transactions	10	1 826 609 550	1 826 609 550
Cash and cash equivalents	12	683 762 515	683 762 515
		2 955 591 860	**2 955 591 860**

Financial liabilities

	Note	At fair value	At amortised cost	Total
Payments received in advance	21	-	317 592 663	317 592 663
Borrowings: Other financial liabilities	18	-	108 607 631	108 607 631
Trade and other payables from exchange transactions	21	-	1 270 691 690	1 270 691 690
Consumer deposits	22	87 137 643	-	87 137 643
Other deposits	21	11 405 393	-	11 405 393
		98 543 036	**1 696 891 984**	**1 795 435 020**

Financial instruments in Statement of financial performance

Economic entity - 2025

	Note	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	31	330 251 231	330 251 231
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	43	(44 468 214)	(44 468 214)
Impairment loss	45	(1 987 595 727)	(1 987 595 727)
		(1 701 812 710)	**(1 701 812 710)**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

24. Financial instruments disclosure (continued)

Economic entity - 2024

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	31	318 511 071	318 511 071
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	43	(46 210 625)	(46 210 625)
Impairment loss	45	(1 291 454 455)	(1 291 454 455)
		(1 019 154 009)	**(1 019 154 009)**

Controlling entity - 2025

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	31	327 534 397	327 534 397
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	43	(44 448 679)	(44 448 679)
Debt impairment	45	(1 987 595 727)	(1 987 595 727)
		(1 704 510 009)	**(1 704 510 009)**

Controlling entity - 2024

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	31	316 825 063	316 825 063
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	43	(46 183 512)	(46 183 512)
Debt impairment	45	(1 291 454 455)	(1 291 454 455)
		(1 020 812 904)	**(1 020 812 904)**

25. Revenue

Service charges	4 994 155 198	4 168 382 828	4 994 155 198	4 168 382 828
Construction contracts	70 202 832	91 712 399	70 202 832	91 712 399
Rental of facilities and equipment	31 260 642	23 136 005	31 260 642	23 136 005
Agency services	21 002 430	18 764 272	21 002 430	18 764 272
Licences and permits (non-exchange)	16 427 152	13 684 835	16 427 152	13 684 835
Total other revenue	88 912 138	83 056 771	88 912 059	83 056 471
Interest received	330 251 231	318 511 071	327 534 397	316 825 063
Property rates	2 169 014 672	2 105 248 187	2 169 014 672	2 105 248 187
Service charges - Availability charges	54 817 667	37 957 882	54 817 667	37 957 882
Interest (non-exchange)	123 854 204	111 040 240	123 854 204	111 040 240
Government grants & subsidies	2 183 419 288	2 137 507 114	2 178 380 824	2 122 290 044
Other revenue - (non-exchange)	100 262 447	98 250 726	100 262 447	98 250 726
Public contributions and donations	5 666 429	22 409 060	5 666 429	22 409 060
Fines	56 647 107	65 437 669	56 647 107	65 437 669
Fuel levy	777 132 000	741 926 000	777 132 000	741 926 000
	11 023 025 437	**10 037 025 059**	**11 015 270 060**	**10 020 121 681**

The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	4 994 155 198	4 168 382 828	4 994 155 198	4 168 382 828
Construction contracts	70 202 832	91 712 399	70 202 832	91 712 399
Rental of facilities and equipment	31 260 642	23 136 005	31 260 642	23 136 005
Agency services	21 002 430	18 764 272	21 002 430	18 764 272
Total other revenue	88 912 138	83 056 771	88 912 059	83 056 471
Interest received	330 251 231	318 511 071	327 534 397	316 825 063
	5 535 784 471	**4 703 563 346**	**5 533 067 558**	**4 701 877 038**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

25. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Property rates	2 169 014 672	2 105 248 187	2 169 014 672	2 105 248 187
Licences and permits (non-exchange)	16 427 152	13 684 835	16 427 152	13 684 835
Surcharges and Taxes	54 817 667	37 957 882	54 817 667	37 957 882
Interest (non-exchange)	123 854 204	111 040 240	123 854 204	111 040 240
Transfer revenue				
Government grants & subsidies	2 183 419 288	2 137 507 114	2 178 380 824	2 122 290 044
Levies	100 262 447	98 250 726	100 262 447	98 250 726
Public contributions and donations	5 666 429	22 409 060	5 666 429	22 409 060
Fines	56 647 107	65 437 669	56 647 107	65 437 669
Fuel levy	777 132 000	741 926 000	777 132 000	741 926 000
	5 487 240 966	**5 333 461 713**	**5 482 202 502**	**5 318 244 643**

Total fines outstanding at 30 June 2025 is R146 553 288 (R184 462 867 : 2024) after eliminating untraceable and collected fines. A probability factor of 16% (15% : 2024) collection of total outstanding fines was calculated resulting in a traffic fines debtor amount of R23 448 526 (R27 084 560 : 2024). Refer to note 9.

The lifespan of traffic fines is as follows:

- Traffic offences in respect of which the admission of guilt amount is below R500: one year from date of issue of the warrant.
- Traffic offences in respect of which the admission of guilt amount is from R500 up to the maximum amount that may be determined by a peace officer in terms of section 56(1) of Act 51 of 1977: two years from the date of issue of the warrant.

The above arrangement also applies in traffic cases where a notice in terms of section 341 of Act 51 1977 is followed up by a summons setting admission of guilt up to the above maximum amount.

Public contributions and donations

In 2025 the City received donations in relation to electricity infrastructure amounting to R5 666 429. In 2024 the City received donations in relation to electricity infrastructure of R22 409 060.

26. Service charges

Sale of electricity	2 979 388 992	2 336 364 605	2 979 388 992	2 336 364 605
Sale of water	969 901 894	839 176 845	969 901 894	839 176 845
Sewerage and sanitation charges - Non Pans	429 450 713	413 881 627	429 450 713	413 881 627
Sewerage and sanitation charges - Pans	154 652 461	134 782 789	154 652 461	134 782 789
Refuse removal	479 583 913	469 492 029	479 583 913	469 492 029
Other service charges	46 618 678	29 666 476	46 618 678	29 666 476
Less: Income forgone - Sale of water	(61 869 121)	(45 890 808)	(61 869 121)	(45 890 808)
Less: Income forgone - Sewerage - Pans	(3 572 332)	(9 090 735)	(3 572 332)	(9 090 735)
	4 994 155 198	**4 168 382 828**	**4 994 155 198**	**4 168 382 828**

27. Rental of facilities and equipment

Facilities and equipment				
Rental of facilities	31 260 642	23 136 005	31 260 642	23 136 005

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

28. Construction contract

Amount of contract revenue recognised in revenue	(70 202 832)	(91 712 399)	(70 202 832)	(91 712 399)
Amount of costs recognised in surplus	70 202 832	91 712 399	70 202 832	91 712 399
Amount received in advance recognised under Trade and other payables - Payments received in advanced	(9 300 092)	(26 150 092)	(9 300 092)	(26 150 092)
Aggregate amount of cost incurred to date	1 320 387 000	1 250 185 167	1 320 387 000	1 250 185 167
Amounts paid in advance recognised under Receivables from exchange transactions - Accrued income	385 609 180	355 140 989	385 609 180	355 140 989
Amount received in advance recognised under Other liabilities - East Bank Land Affairs	(126 564 448)	(117 354 949)	(126 564 448)	(117 354 949)
Retentions	(4 073 382)	(4 073 382)	(4 073 382)	(4 073 382)
	1 566 058 258	**1 457 747 733**	**1 566 058 258**	**1 457 747 733**

The Eastern Cape Department of Human Settlement in partnership with BCMM and are implementing the construction of top structures on RDP housing by appointing consultants and contractors on behalf of the Department of Human Settlements. No commission is earned by the City on the implementation of this arrangement.

This East Bank land affairs funding which BCMM administers on behalf of the department of Land Affairs for the benefit of restitution and claimants. These funds have not been spent due to slow progress in the restitution processes. BCMM under this arrangement has the right to appoint contractors, thereby control of progress is within the BCMM. No contract revenue or cost was recognised.

29. Agency services

Vehicle Registration	21 002 430	18 764 272	21 002 430	18 764 272

30. Other revenue - (exchange)

Admission fees	3 623 730	2 616 264	3 623 730	2 616 264
Cemetery fees	7 895 650	8 437 931	7 895 650	8 437 931
Commission	35 539 515	35 293 087	35 539 515	35 293 087
Coupons and clip tickets	194 714	332 537	194 714	332 537
Grazing fees	48 935	102 919	48 935	102 919
Insurance	10 408 905	8 097 559	10 408 905	8 097 559
Plan approval fees	6 251 857	9 617 260	6 251 857	9 617 260
Private works	1 469 409	2 250 135	1 469 409	2 250 135
Tender receipts	1 285 131	1 841 869	1 285 131	1 841 569
Sale of plants and animals	4 883	6 014	4 883	6 014
Sale of property	15 374 421	2 430	15 374 421	2 430
Sale of scrap waste	945 836	770 178	945 836	770 178
Street frontage and administration fees	95 279	104 231	95 279	104 231
Sundry income	3 746 937	11 728 078	3 746 858	11 728 078
Town planning and sub-division fees	2 012 233	1 823 819	2 012 233	1 823 819
Vehicle registrations	14 703	32 460	14 703	32 460
	88 912 138	**83 056 771**	**88 912 059**	**83 056 471**

31. Interest received

Interest revenue				
Call accounts with financial institutions	50 136 342	23 944 707	50 136 342	23 944 707
Bank	22 078 318	27 685 273	19 361 484	25 999 265
Interest charged on trade and other receivables	258 036 571	266 881 091	258 036 571	266 881 091
	330 251 231	**318 511 071**	**327 534 397**	**316 825 063**

32. Service charges - Availability charges

Electricity - Availability charges	19 131 023	6 777 570	19 131 023	6 777 570
Water - Availability charges	18 453 169	16 305 005	18 453 169	16 305 005
Waste water management - Availability charges	17 233 475	14 875 307	17 233 475	14 875 307
	54 817 667	**37 957 882**	**54 817 667**	**37 957 882**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

33. Property rates

Rates received

Agricultural	16 074 454	14 513 509	16 074 454	14 513 509
Commercial	970 178 582	935 842 997	970 178 582	935 842 997
Industrial	82 670 762	79 815 569	82 670 762	79 815 569
Mining	432 025	156 957	432 025	156 957
Public Benefit Organisation	2 953 612	1 854 299	2 953 612	1 854 299
Public Service Infrastructure	2 223 454	2 238 015	2 223 454	2 238 015
Public Service Purpose	91 458 433	104 479 507	91 458 433	104 479 507
Residential	1 061 168 417	976 706 372	1 061 168 417	976 706 372
Vacant land	91 060 919	109 833 053	91 060 919	109 833 053
Less: Income forgone	(149 205 986)	(120 192 091)	(149 205 986)	(120 192 091)
	2 169 014 672	**2 105 248 187**	**2 169 014 672**	**2 105 248 187**

Valuations

Agricultural	4 644 254 100	4 654 991 100
Commercial	29 155 617 690	29 357 566 690
Industrial	2 264 845 550	2 073 290 212
Mining	14 090 000	4 400 000
Public Benefit Organisation	726 921 500	724 466 500
Public Service Infrastructure	874 043 050	976 473 700
Public Service Purpose	4 651 571 200	4 736 121 200
Residential	83 259 634 900	82 709 506 325
Vacant land	3 841 548 780	3 922 417 300
	129 432 526 770	**129 159 233 027**

The Buffalo City Metropolitan Municipality is required in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) to undertake a General Valuation on Land and Buildings every four years and a supplementary valuation at least once a year. BCMM implemented its 4th General Valuation on 1 July 2023 with the Valuation date being 1 July 2022. The valuation roll is valid for a period of four years in terms of Section 32 (1)(b)(i) of the Municipal Property Rates Act 6 of 2004.

Rates are levied on a monthly basis (the due date for monthly accounts is the 15th of every month). Consumers must apply if they want to pay annually with the final date for payment for annual accounts being 30 September each year. Interest at a standard rate (as amended from time to time), is levied on rates outstanding after 30 September, except where the owner is paying in instalments.

Tariffs levied: cents in the rand

Agricultural	0.003706	0.003567
Business and Commercial	0.037063	0.035672
Industrial	0.037063	0.035672
Mining	0.037063	0.035672
Public Benefit Organisation	0.003706	0.003567
Public Service Infrastructure	0.003706	0.003567
Public Service Purpose	0.023721	0.022831
Residential	0.014825	0.014269
Vacant land	0.044476	0.042806

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

33. Property rates (continued)

Rebates, exclusions and exemptions

Buffalo City Metropolitan Municipality grants rebates in terms of the Municipality’s rates policy to the following categories of property or owners:

1) Economic development rebate

The rebate will be phased in over a period of 5 years, from the effective date of the valuation of the improved property in the municipality’s valuation roll as follows:

Year 1 – 50%
Year 2 – 40%
Year 3 – 30%
Year 4 – 20%
Year 5 – 10%, thereafter full rates are payable.

2) A discretionary rebate/discount of up to 75%, where the Municipality does not supply some or all of the following services:

Constructed public roads	15.0 %	15.0 %
Water supply	22.5 %	22.5 %
Refuse removal service	7.5 %	7.5 %
Electricity supply	15.0 %	15.0 %
Sewerage service	15.0 %	15.0 %
	75.0 %	**75.0 %**

3) Senior citizens

In order to qualify for a rebate, a senior citizen must meet the following requirements:

(i) Be the owner of a property categorised as residential
(ii) The applicant must be the registered owner of the property and occupy the property as his/her primary residence or where the owner is unable to occupy the property due to no fault of his/her own, the spouse and/or minor children must occupy the property
(iii) The retired person must be at least 60 years of age.
(iv) If the retired person turns 60 during the financial year, the rebate will be granted with effect from the next billing cycle following the date on which the application is received.
(v) Submit an application for the 2023/24 financial year and thereafter when the age category changes.

Senior citizens will be categorized into three age groups and a percentage rebate will be applied according to the age category as follows:

Age group	% rebate
60 - 64 years	40.0%
65 - 74 years	62.5%
75 years and upwards	85.0%

4) On application, Public Benefit Organisations (PBO's) as defined in the Municipal Property Rates Act and BCMM's Rates Policy are granted rebates.

5) Section 17 of the MPRA lists other impermissible rates, where a municipality may not levy a rate and the following were applied:

Section 17(1)(a) - First 30% of the market value of public service infrastructure.
Section 17(1)(h) - First R15 000 of the market value of a property categorised as residential.
Section 17(1)(i) - On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community.

34. Licences and permits (non-exchange)

Dog	1 092 563	1 018 221	1 092 563	1 018 221
Trading	2 392 432	267 182	2 392 432	267 182
Road transport	12 942 157	12 399 432	12 942 157	12 399 432
	16 427 152	**13 684 835**	**16 427 152**	**13 684 835**

Notes to the Audited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2025	2024 *Restated	2025	2024 *Restated

35. Interest (non-exchange)

Interest - Receivables	123 854 204	111 040 240	123 854 204	111 040 240

36. Government grants & subsidies

Operating grants				
Government grants - operating projects	154 465 809	109 457 312	154 465 809	109 457 312
LG SETA Grant - BCMDA	43 457	46 980	-	-
Other Government grants and subsidies	1 250 875 114	1 174 397 709	1 250 875 114	1 174 397 709
Neighbourhood Development Programme Grant - BCMDA	4 896 213	10 222 897	-	-
Public Employment Programme - BCMDA	98 794	599 367	-	-
Eastern Cape Development Corporation Grant - BCMDA	-	4 347 826	-	-
	1 410 379 387	**1 299 072 091**	**1 405 340 923**	**1 283 855 021**
Capital grants				
Government grant (capital: PPE)	773 039 901	838 435 023	773 039 901	838 435 023
	2 183 419 288	**2 137 507 114**	**2 178 380 824**	**2 122 290 044**

37. Other revenue - (non-exchange)

Fire levy	100 262 447	98 250 726	100 262 447	98 250 726

38. Employee related costs

Basic salaries		1 678 538 871	1 680 735 792	1 663 718 198	1 648 741 577
Car allowance		52 317 774	46 503 000	52 307 774	46 443 000
Bonus		-	752 236	-	-
Employee benefit obligation net cost	16	90 402 000	62 542 000	90 402 000	62 542 000
Essential user cost		29 498 999	29 407 520	29 498 999	29 407 520
Group life		10 857 983	10 006 748	10 802 096	10 006 748
Housing benefits and allowances		13 450 873	16 314 643	13 450 873	16 302 643
Leave pay contributions (Leave pay provision charge)		52 549 347	48 607 070	51 801 428	48 067 475
Long-service awards		43 107 100	40 224 305	43 107 100	40 224 305
Medical aid contributions		126 845 404	121 656 483	126 795 942	121 652 727
Other allowances		80 797 867	78 128 034	80 797 867	78 128 034
Overtime payments		163 883 546	164 300 483	163 883 546	164 300 483
Pension fund contributions		319 662 990	315 289 970	318 432 278	313 962 521
UIF		10 868 996	11 387 236	10 803 379	11 166 007
WCA		193 296	199 716	-	-
SDL		205 847	227 636	-	-
13th Cheques		135 113 031	139 475 782	134 473 232	138 684 927
Less: Employee costs capitalised to Water inventory		(21 684 430)	(32 928 262)	(21 684 430)	(32 928 262)
		2 786 609 494	**2 732 830 392**	**2 768 590 282**	**2 696 701 705**

Remuneration of City Manager

Annual remuneration	1 633 676	1 471 086	1 633 676	1 471 086
Allowance	726 752	650 675	726 752	650 675
UIF	2 125	2 125	2 125	2 125
Medical aid	66 178	63 129	66 178	63 129
Pension contributions	294 062	264 795	294 062	264 795
	2 722 793	**2 451 810**	**2 722 793**	**2 451 810**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

38. Employee related costs (continued)

Remuneration of Chief Financial Officer

Annual remuneration	1 596 263	1 176 869	1 596 263	1 176 869
Travel allowance	476 718	356 991	476 718	356 991
Allowance	215 292	139 079	215 292	139 079
UIF	2 125	2 125	2 125	2 125
Medical aid	66 178	63 129	66 178	63 129
Pension contributions	287 327	211 836	287 327	211 836
Group life	16 534	11 418	16 534	11 418
	2 660 437	**1 961 447**	**2 660 437**	**1 961 447**

Remuneration of HOD: Executive Support Services

Annual remuneration	1 596 263	1 171 861	1 596 263	1 171 861
Travel allowance	242 766	242 766	242 766	242 766
Allowance	470 411	275 552	470 411	275 552
UIF	2 125	2 125	2 125	2 125
Medical aid	36 749	32 810	36 749	32 810
Pension contributions	287 327	210 935	287 327	210 935
Group life	24 797	17 051	24 797	17 051
	2 660 438	**1 953 100**	**2 660 438**	**1 953 100**

Remuneration of HOD: Human Settlements

Annual remuneration	1 596 263	1 176 869	1 596 263	1 176 869
Travel allowance	477 550	357 823	477 550	357 823
Allowance	195 978	125 484	195 978	125 484
UIF	2 125	2 125	2 125	2 125
Medical aid	66 178	63 129	66 178	63 129
Pension contributions	287 327	211 836	287 327	211 836
Group life	35 017	24 182	35 017	24 182
	2 660 438	**1 961 448**	**2 660 438**	**1 961 448**

Remuneration of HOD: Corporate Services

Annual remuneration	1 596 263	1 171 860	1 596 263	1 171 860
Travel allowance	240 000	240 000	240 000	240 000
Allowance	488 564	268 081	488 564	268 081
UIF	2 125	2 125	2 125	2 125
Medical aid	46 159	42 521	46 159	42 521
Pension contributions	287 327	228 513	287 327	228 513
	2 660 438	**1 953 100**	**2 660 438**	**1 953 100**

Remuneration of HOD: Public Safety & Emergency Services

Annual remuneration	1 215 706	980 724	1 215 706	980 724
Travel allowance	368 780	298 188	368 780	298 188
Allowance	168 985	139 165	168 985	139 165
UIF	2 125	1 771	2 125	1 771
Medical aid	39 161	28 622	39 161	28 622
Pension contributions	218 827	176 530	218 827	176 530
Group life	12 593	9 539	12 593	9 539
	2 026 177	**1 634 539**	**2 026 177**	**1 634 539**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

38. Employee related costs (continued)

Remuneration of HOD: Infrastructure Services

Annual remuneration	1 114 397	327 617	1 114 397	327 617
Travel allowance	-	54 000	-	54 000
Allowance	482 688	84 177	482 688	84 177
UIF	1 948	708	1 948	708
Medical aid	46 160	10 903	46 160	10 903
Pension contributions	200 591	63 885	200 591	63 885
Group life	11 543	4 737	11 543	4 737
	1 857 327	**546 027**	**1 857 327**	**546 027**

The position became vacant 12 October 2023. No acting allowance was paid in the 2024/25 financial year in respect of this position. The new incumbent was appointed 01 August 2024.

Remuneration of HOD: Development and Spatial Planning

Annual remuneration	810 470	292 965	810 470	292 965
Travel allowance	245 853	48 000	245 853	48 000
Allowance	94 645	78 651	94 645	78 651
UIF	1 417	531	1 417	531
Medical aid	44 119	8 177	44 119	8 177
Pension contributions	145 885	57 128	145 885	57 128
Group life	8 395	2 822	8 395	2 822
	1 350 784	**488 274**	**1 350 784**	**488 274**

The position became vacant 01 October 2023. Acting allowance to the value of R46 731 was paid in the 2024/25 financial year in respect of this position. The new incumbent was appointed 01 November 2024.

Remuneration of HOD: Solid Waste and Environmental Health

Annual remuneration	1 596 263	1 176 869	1 596 263	1 176 869
Travel allowance	264 000	264 000	264 000	264 000
Allowance	460 071	262 546	460 071	262 546
UIF	2 125	2 125	2 125	2 125
Medical aid	50 652	44 071	50 652	44 071
Pension contributions	287 327	211 836	287 327	211 836
	2 660 438	**1 961 447**	**2 660 438**	**1 961 447**

Remuneration of HOD: Economic Development & Agencies

Annual remuneration	1 596 263	1 176 869	1 596 263	1 176 869
Travel allowance	476 718	356 991	476 718	356 991
Allowance	270 407	188 988	270 407	188 988
UIF	2 125	2 125	2 125	2 125
Medical aid	27 598	24 638	27 598	24 638
Pension contributions	287 327	211 836	287 327	211 836
	2 660 438	**1 961 447**	**2 660 438**	**1 961 447**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

38. Employee related costs (continued)

Remuneration of HOD: Sport, Recreation & Community Development

Annual remuneration	1 596 263	1 176 869	1 596 263	1 176 869
Travel allowance	476 718	356 991	476 718	356 991
Allowance	253 873	177 570	253 873	177 570
UIF	2 125	2 125	2 125	2 125
Medical aid	27 598	24 638	27 598	24 638
Pension contributions	287 327	211 836	287 327	211 836
Group life	16 534	11 418	16 534	11 418
	2 660 438	**1 961 447**	**2 660 438**	**1 961 447**

Remuneration of Chief Operations Officer

Annual remuneration	1 489 968	944 213	1 489 968	944 213
Travel allowance	480 000	320 000	480 000	320 000
Allowance	181 400	109 904	181 400	109 904
UIF	2 125	1 417	2 125	1 417
Medical aid	46 159	21 308	46 159	21 308
Pension contributions	268 194	169 958	268 194	169 958
Other	15 433	6 888	15 433	6 888
	2 483 279	**1 573 688**	**2 483 279**	**1 573 688**

During the year, Council noted that the remuneration of the City Manager and Heads of Departments (HODs) had fallen behind that of certain General Managers due to collective bargaining arrangements applicable to non-senior staff since 2017/18. This disparity created challenges in attracting, retaining, and fairly rewarding senior management.

On 31 May 2023, Council resolved to apply for exemption from the Government Gazette limits on remuneration packages for Municipal Managers and Managers directly accountable to the City Manager. Approval for this exemption was granted by the Minister of Cooperative Governance and Traditional Affairs on 2 April 2024.

Following this approval, BCMM implemented adjustments whereby HODs’ remuneration was aligned at 2.4% above the highest paid General Manager package, and the City Manager’s remuneration at 4.8% above that level. These adjustments account for the significant increase in senior management salaries during the year.

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

38. Employee related costs (continued)

BCMDA - Remuneration of Executive Management

Remuneration - Chief Executive Officer (A Gqoboka)

Annual Remuneration	2 899 864	1 356 916	-	-
Cellphone allowance	14 000	-	-	-
Performance Bonuses	-	69 030	-	-
Contributions to UIF, Medical and Pension Funds	73 153	24 739	-	-
	2 987 017	**1 450 685**	**-**	**-**

Mr A Gqoboka was appointed as Chief Executive Officer on the 1st January 2024.

Remuneration - Chief Financial Officer (B Lubelwana)

Annual remuneration	746 148	1 326 222	-	-
Car allowance	50 000	110 000	-	-
Cellphone allowance	10 301	-	-	-
Performance bonuses	-	78 767	-	-
Contributions to UIF, Medical and Pension Funds	67 722	150 364	-	-
	874 171	**1 665 353**	**-**	**-**

Mrs B Lubelwana was appointed as Chief Financial Officer on the 15th August 2023, and she resigned on the 31st December 2024.

Remuneration - Acting Chief Financial Officer

Annual remuneration	66 180	7 813	-	-

Mr S Peter was appointed as an Acting Chief Financial Officer from the 15th May 2023 up until the 14th August 2023, then Mrs B Lubelwana was appointed as a Chief Financial Officer on the 15th August 2023.

Miss S Mgudlwa was appointed as the Acting Chief Financial Officer from the 23rd of May 2024 up until September 2024.

Remuneration - Interim Chief Executive Officer

Annual remuneration	-	32 556	-	-
Contributions to UIF, Medical and Pension Funds	-	288	-	-
	-	**32 844**	**-**	**-**

Mr S Peter was appointed as Interim Chief Executive Officer effective 16th of August 2023, up until 31 December 2023.

Remuneration - Interim Chief Executive Officer (M Sibam)

Annual remuneration	-	343 046	-	-
Contributions to UIF, Medical and Pension Funds	-	354	-	-
	-	**343 400**	**-**	**-**

Remuneration - Executive Manager: Corporate Services (N van Wyk)

Annual remuneration	1 860 230	1 343 884	-	-
Contributions to UIF, Medical and Pension Funds	2 125	177	-	-
	1 862 355	**1 344 061**	**-**	**-**

Mr N van Wyk was appointed on the 1 November 2023 as the Executive Manager: Corporate Services.

Included in the prior year is the salary for Mr X Jikela who reached an out of court settlement with the Executive Manager: Corporate Services and his contract was terminated as at 30 June 2023.

Remuneration - Executive Manager: Strategy & Risk (L Govender)

Annual remuneration	546 647	1 561 560	-	-

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated
38. Employee related costs (continued)				
Cellphone Allowance	8 700	-	-	-
Performance bonuses	-	85 800	-	-
Contributions to UIF, Medical and Pension Funds	52 366	156 565	-	-
	607 713	**1 803 925**	**-**	**-**

Remuneration - Chief Investment Officer (T Tongo)				
Annual remuneration	-	133 896	-	-
Contributions to UIF, Medical and Pension Funds	-	177	-	-
	-	**134 073**	**-**	**-**

The Chief Investment Officer was relieved of her duties on the 31 July 2023 and an out of court settlement was reached.

Remuneration - Executive Manager: Property Planning, Development and Management (T Hangana)				
Annual remuneration	-	131 556	-	-
Contributions to UIF, Medical and Pension Funds	-	12 640	-	-
Settlement cost	1 773 362	-	-	-
	1 773 362	**144 196**	**-**	**-**

The Executive Manager: Property Planning, Development and Management was relieved of her duties on the 31 July 2023 and a settlement was reached during the current financial year and was paid in May 2025.

Remuneration - Acting Executive: Corporate Services				
Annual remuneration	-	13 246	-	-

Mrs F Goniwe was appointed as Acting Executive: Corporate Services in December 2022 up until 2 August 2023. Ms M Zokufa was appointed as Acting Executive: Corporate Services effective on 3rd August 2023 - 31st October 2023, taking over from Mrs F Goniwe. Mr N van Wyk was appointed as the Executive Manager: Corporate Services on the 1st November 2023.

A Ntshokoma (Acting Executive Manager: Property Planning, Development and Management) (A Ntshokoma)				
Annual remuneration	281 284	24 942	-	-

Remuneration - Company Secretary & Legal Services Manager (Z Thomas)				
Annual remuneration	-	626 471	-	-
Contributions to UIF, Medical and Pension Funds	-	1 063	-	-
	-	**627 534**	**-**	**-**

The Company Secretary, Mrs Z Thomas, was appointed on 1 December 2023, and then resigned on the 6 May 2024.

Remuneration - Acting Chief Financial Officer (A Manciya)				
Annual remuneration	159 611	-	-	-

BCMDA - Remuneration of Executive Management	8 613 788	7 592 072	-	-
Economic entity employee related cost	2 786 609 494	2 732 830 392	2 768 590 282	2 696 701 705
	2 795 223 282	**2 740 422 464**	**2 768 590 282**	**2 696 701 705**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

39. Remuneration of councillors/directors

Executive Mayor	927 835	927 835	927 835	927 835
Chief Whip	705 864	705 864	705 864	705 864
Mayoral Committee Members	4 941 048	6 185 730	4 941 048	6 185 730
Speaker	749 337	749 337	749 337	749 337
Councillors' salaries	32 519 325	31 842 126	32 519 325	31 842 126
Councillors’ pension contribution	4 368 792	4 319 457	4 368 792	4 319 457
Councillors' housing subsidy	14 807 122	14 917 176	14 807 122	14 917 176
Councillors' medical aid	1 772 826	1 714 810	1 772 826	1 714 810
Cellphone Allowance	4 313 436	4 561 162	4 313 436	4 561 162
Travel allowance	5 267 726	4 975 983	5 267 726	4 975 983
Board fees	1 511 315	1 992 201	-	-
	71 884 626	**72 891 681**	**70 373 311**	**70 899 480**

Board fees 2025	Board remuneration	Re-imbursive Costs	Total
Mr M Dilima (Acting Chairperson)	378 500	2 315	380 815
Ms N Ndevu-Sakube	251 500	-	251 500
Mrs N Madikizela-Renene	332 500	-	332 500
Mrs Z Faku	223 000	-	223 000
Mr M Sibam	323 500	-	323 500
	1 509 000	**2 315**	**1 511 315**

Board fees 2024	Board remuneration	Re-imbursive Costs	Total
Ms N Pietersen (Chairperson)	158 500	-	158 500
Mr N van Wyk	94 500	-	94 500
Ms A Kumbaca	273 000	10 139	283 139
Ms N Ndevu-Sakube	267 000	450	267 450
Mr S Toni	262 000	6 135	268 135
Mr M Sibam	180 500	-	180 500
Mr M Dilima	238 000	-	238 000
Mrs N Madikizela-Renene	290 500	-	290 500
Mrs Z Faku	211 000	477	211 477
	1 975 000	**17 201**	**1 992 201**

The Board's remuneration has decreased by 24% when compared to the previous year. Mr Dilima was the acting Chairperson throughout the financial year. The two (2) board members who had resigned in the prior financial year were not replaced and this resulted in the number of board sittings decreasing during the year.

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Cost of secretarial support amounts to R24 029 985 (2024: R24 099 710).

The Housekeeper appointed to maintain the Mayoral house cost to Council amounts to R234 071 (2024: R50 771).

The Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip each have the use of a Council owned vehicle for official duties. Repairs to the vehicles amounts to R489 097 (2024: R234 642). An amount of R3 284 604 (2024: R2 467 823) was incurred for hired vehicles.

The Executive Mayor, Deputy Executive Mayor and Speaker each have full-time bodyguards. Cost of 12 bodyguards amounts to R12 338 197 (2024: R9 283 674).

The salaries, allowances and benefits of Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Notes to the Audited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2025	2024 *Restated	2025	2024 *Restated

40. Inventory consumed

Water		278 040 051	255 543 395	278 040 051	255 543 395
Other inventory		67 843 231	75 723 646	67 843 231	75 690 875
		345 883 282	**331 267 041**	**345 883 282**	**331 234 270**

41. Depreciation and amortisation

Property, plant and equipment	4	1 625 946 170	1 622 427 967	1 625 395 018	1 621 795 622
Intangible assets	5	2 512 907	2 420 769	2 439 135	1 969 686
		1 628 459 077	**1 624 848 736**	**1 627 834 153**	**1 623 765 308**

42. Impairment loss

Impairments					
Property, plant and equipment		733 619 579	52 608 336	733 619 579	52 608 336
Heritage assets		774 226	-	774 226	-
The City undertook a comprehensive physical verification of its assets to assess their condition and operational status. This process was aimed at identifying indicators of impairment and the assessment of impairment loss where it was evident that the recoverable service amount was lower than the carrying amount.					
		734 393 805	**52 608 336**	**734 393 805**	**52 608 336**

43. Finance costs

Borrowings		8 964 050	11 564 956	8 964 050	11 564 956
Unwinding of interest on provisions		35 484 629	34 618 556	35 484 629	34 618 556
Finance leases		19 535	27 113	-	-
		44 468 214	**46 210 625**	**44 448 679**	**46 183 512**

Refer to note 18 Borrowings relating to finance cost.

44. Auditors' remuneration

Fees		29 966 205	23 917 137	29 008 452	22 982 780

45. Debt impairment

Contributions to debt impairment - Exchange	11	1 417 901 955	898 551 858	1 417 901 955	898 551 858
Contributions to debt impairment - Non-exchange	11	569 693 772	392 902 597	569 693 772	392 902 597
		1 987 595 727	**1 291 454 455**	**1 987 595 727**	**1 291 454 455**

46. Bulk purchases

Electricity - Eskom		2 662 352 454	2 273 928 751	2 662 352 454	2 273 928 751
Electricity usage - Water treatment		(30 809 388)	(21 573 308)	(30 809 388)	(21 573 308)
		2 631 543 066	**2 252 355 443**	**2 631 543 066**	**2 252 355 443**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

46. Bulk purchases (continued)

Electricity losses

Description	2025 Amount (R)	%	2024 Amount (R)	%
Technical	257 739 990	10.00	233 333 557	10.00
Non-technical	573 693 829	22.19	322 680 510	14.20
	831 433 819	**32.19**	**556 014 067**	**24.20**

Total losses amounted to 435 001 244 kWh (2024: 315 455 746 kWh) of which 135 118 575 kWh (2024: 130 332 244 kWh) are technical losses and 299 882 669 kWh (2024: 185 123 501 kWh) are non-technical losses.

Electricity losses for the current year ending 30 June 2025 amounted to 32.19% (2024: 24.20%) i.e. R831 433 819 (2024: R556 016 067) These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network, account for 10% (2024: 10%) i.e. R257 739 990 (2024: R233 335 557). Non-technical losses, being theft, faults, billing discrepancies etc., account for 22.19% (2024: 14.2%) i.e. R573 693 829 (2024: R322 680 510).

Water losses

Description	2025 Amount (R)	%	2024 Amount (R)	%
Technical	116 363 746	25.71	89 510 613	22.83
Non-technical	71 124 307	15.71	58 453 464	14.91
	187 488 053	**41.42**	**147 964 077**	**37.74**

Total losses amounted to 29 439 054 Kl (2024: 24 983 539 Kl) of which 18 271 236 Kl (2024: 15 113 750 Kl) are technical losses and 11 167 818 Kl (2024: 9 869 789 Kl) are non-technical losses.

Non-technical

Unbilled Authorised Consumption - The unbilled authorised consumption is the volume of authorised consumption that is not billed or paid. The level of unbilled authorised consumption will vary from WSA to WSA and in some areas, virtually all water is metered and billed in some manner with the result that the unbilled authorised consumption is zero.

Apparent Losses - Apparent losses or commercial losses are made up from the unauthorised (theft or illegal use), plus all technical and administrative inaccuracies associated with customer metering. While it should be noted that the apparent losses should not be a major component of the water balance in most developed countries, it can represent the major element of the total losses in many developing countries. A systematic estimate should be made from local knowledge of the system and an analysis of technical and administrative aspects of the customer metering system.

Technical

Real Losses - Real losses are the physical water losses from the pressurised system, up to the point of measurement of customer use. In most cases, the real losses represent the unknown component in the overall water balance and the purpose of most water balance models is therefore to estimate the magnitude of the real losses so that the WSA can gauge whether or not it has a serious leakage problem. The real losses are calculated as the difference between the total losses and the estimated apparent losses.

Water losses are being addressed by the implementation of water conservation and water demand measures which includes pipe replacement, water meter replacement, etc.

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

47. Repairs and maintenance

Infrastructure	122 604 072	184 460 608	122 604 072	184 460 608
Community assets	4 293 156	5 589 015	4 293 156	5 589 015
Other assets	13 516 437	17 677 322	12 960 360	17 658 182
Computer Equipment	74 599	204 424	74 599	204 424
Furniture and Office Equipment	13 172 196	3 828 006	13 172 196	3 828 006
Machinery and Equipment	193 610 250	196 310 121	193 610 250	196 310 121
Transport Assets	36 008 260	28 693 221	36 008 260	28 693 221
Less: Repairs and maintenance capitalised to Water inventory	(3 324 662)	(6 832 416)	(3 324 662)	(6 832 416)
	379 954 308	**429 930 301**	**379 398 231**	**429 911 161**

48. Contracted services

Outsourced Services				
Alien Vegetation Control	485 855	295 850	485 855	295 850
Animal Care	1 440 000	1 345 242	1 440 000	1 345 242
Burial Services	1 117 739	337 743	1 117 739	337 743
Business and Advisory	78 593	240 767	78 593	240 767
Catering Services	4 259 237	3 865 047	4 259 237	3 865 047
Cleaning Services	441 976	223 901	441 976	223 901
Clearing and Grass Cutting Services	13 293 690	9 112 293	13 293 690	9 112 293
Connection/Dis-connection	11 751 934	10 581 076	11 751 934	10 581 076
Hygiene Services	61 167	61 682	61 167	61 682
Internal Auditors	631 802	591 148	631 802	591 148
Meter Management	469 609	142 275	469 609	142 275
Medical Services (Medical Health Services & Support)	122 645	64 414	122 645	64 414
Personnel and Labour	123 966 619	50 233 631	123 966 619	50 233 631
Professional Staff	16 734 902	13 707 622	16 734 902	13 707 622
Refuse Removal	11 478 166	8 817 984	11 478 166	8 817 984
Security Services	994 166	2 603 138	-	-
Traffic Fines Management	3 191 667	3 105 983	3 191 667	3 105 983
Consultants and Professional Services				
Business and Advisory	86 556 133	66 510 683	80 493 215	61 320 320
Infrastructure and Planning	6 865 763	8 200 795	6 282 667	8 200 795
Laboratory Services	374 695	325 750	374 695	325 750
Legal Cost	49 304 614	58 750 521	48 774 727	57 861 255
Contractors				
Artists and Performers	642 550	661 103	642 550	661 103
Building	98 908 569	111 733 348	98 908 569	111 733 348
Electrical	12 046 624	10 404 944	12 046 624	10 404 944
Event Promoters	5 049 362	4 964 491	5 049 362	4 964 491
Inspection Fees	313	841	313	841
Management of Informal Settlements	6 642	424 246	6 642	424 246
Medical Services	36 069	31 136	36 069	31 136
Pest Control and Fumigation	7 757	-	7 757	-
Plants, Flowers and Other Decorations	73 514	59 096	73 514	59 096
Safeguard and Security	21 188 106	12 839 913	21 188 106	12 839 913
Sewerage Services	39 903 820	8 963 321	39 903 820	8 963 321
Stage and Sound Crew	691 253	1 231 898	691 253	1 231 898
	512 175 551	**390 431 882**	**504 005 484**	**381 749 115**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

49. Grants and subsidies paid

Other subsidies				
Buffalo City Metropolitan Development Agency	-	-	40 220 771	60 214 497
Disaster management fund	360 598	711 491	360 598	711 491
Mayoral Social Responsibility	1 602 584	1 806 871	1 602 584	1 806 871
Other Organisations	24 875 987	26 171 272	24 875 987	26 171 272
Rural development	1 697 880	4 263 895	1 697 880	4 263 895
Social relief	10 953 378	28 550 171	10 953 378	28 550 171
Sponsored Events	22 289 843	9 812 768	22 289 843	9 812 768
	61 780 270	**71 316 468**	**102 001 041**	**131 530 965**

50. General expenses

Advertising	9 021 835	11 137 173	8 952 894	11 029 441
Auditors' remuneration	29 966 205	23 917 137	29 008 452	22 982 780
Bank charges	10 115 988	8 436 931	10 107 574	8 421 160
Cleaning	134 577	98 195	134 577	98 195
Commission paid	44 172 360	41 498 836	44 172 360	41 498 836
Conferences and seminars	3 722 431	1 420 414	3 722 431	1 420 414
Consumables	8 538 653	11 754 047	8 216 128	10 081 026
Entertainment	859 514	868 357	769 718	654 297
Hire	234 321 014	211 365 862	234 119 893	211 193 262
Insurance	42 156 277	40 978 897	41 983 853	40 780 898
IT expenses	47 478 915	51 899 428	46 017 745	50 232 354
Lease rentals on operating lease	27 962 621	24 945 458	26 971 307	23 618 056
Levies	23 078 455	21 461 619	23 078 455	21 461 619
Magazines, books and periodicals	236 213	178 565	236 213	178 565
Marketing	3 683 550	1 269 014	3 637 922	1 269 014
Motor vehicle expenses	6 966 325	8 327 044	6 966 325	8 327 044
Other expenses	41 079 207	53 272 562	41 079 207	54 055 352
Placement fees	3 425	30 595	-	-
Postage and courier	5 212 630	6 417 892	5 063 840	6 388 840
Printing and stationery	5 718 117	12 893 254	5 713 265	12 864 778
Promotions	2 113 799	1 818 962	1 398 307	1 395 601
License fees	6 532 630	5 004 981	6 532 630	5 004 981
Special events	461 110	58 670	461 110	58 670
Staff welfare	2 233	24 815	-	-
Subscriptions and membership fees	20 677 408	19 327 511	20 672 367	19 327 511
Telephone and fax	18 043 462	19 387 991	17 910 732	19 177 841
Title deed search fees	322 194	289 122	322 194	289 122
Training	13 547 902	17 425 484	13 436 237	17 166 600
Travel - local	14 573 753	12 875 337	14 333 161	12 327 296
Travel - overseas	240 443	254 682	240 443	254 682
Remuneration to WARD Committees	9 365 387	8 954 377	9 365 387	8 954 377
Utilities - Other	240 926	167 749	-	-
Uniforms	10 195 918	14 736 011	10 047 124	14 645 817
Departmental charges	897	-	898	-
	640 746 374	**632 496 974**	**634 672 748**	**625 158 431**

51. Fair value adjustments

Investment property (Fair value model)	20 012 000	307 489 401	20 012 000	307 489 401

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

52. Deferred tax

As indicated in the accounting policy notes, deferred tax is accounted for in line with IAS 12. Management made an annual assessment and judgement on the recognition of deferred tax in the current year. The decision was that since BCMDA is still heavily dependent on grant income, which is exempt for Income Tax purposes, with an assessed loss balance, therefore recognition of deferred tax in the current period would not necessarily be in line with the Accounting Standards. IAS 12 requires that there should be probability of the entity deriving taxable income which would reduce the deferred tax in future. Disclosed below therefore is unrecognised deferred tax asset in respect of both deductible temporary differences and tax losses. The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. The Minister of Finance announced on 27th February 2022 that the corporate tax rate would decrease from 28% to 27% effective for years ended on or after 31 March 2023, there has been no change during the financial year under review. Therefore, they have been offset in the statement of financial position as follows:

Unrecognised deferred tax asset

Deductible temporary differences not recognised as deferred tax assets	140 482	473 814	-	-
Unused tax losses not recognised as deferred tax assets	44 066 665	49 224 272	-	-
	44 207 147	**49 698 086**	**-**	**-**

53. Cash generated from operations

(Deficit) surplus	(991 627 430)	3 274 373	(996 006 431)	(10 959 840)
Adjustments for:				
Depreciation and amortisation	1 628 459 077	1 624 848 736	1 627 834 153	1 623 765 308
(Gain)/Loss on sale of assets	10 605 810	299 062 531	10 605 810	299 063 825
Inventory losses/write-downs	187 975 551	148 218 824	187 966 948	148 230 590
Loss/(income) from equity accounted investments	1 975 925	(42 275 674)	1 975 925	(42 275 674)
Fair value adjustments	(20 012 000)	(307 489 401)	(20 012 000)	(307 489 401)
Finance costs - Finance leases	19 535	27 113	-	-
Impairment deficit	734 393 805	52 608 336	734 393 805	52 608 336
Debt impairment	1 987 595 727	1 291 454 455	1 987 595 727	1 291 454 455
Movements in other liabilities	19 999 105	18 786 611	19 999 105	18 786 611
Movements in retirement benefit assets and liabilities	90 402 000	62 542 000	90 402 000	62 542 000
Movements in provisions	52 449 614	13 378 994	52 449 614	13 294 310
Movements in operating lease assets and accruals	(86 676)	63 342	-	-
Other non-cash items	(93 558 254)	(66 990 684)	(93 558 311)	(68 282 726)
Changes in working capital:				
Inventories	(182 796 080)	(166 770 823)	(182 796 079)	(166 770 824)
Receivables from exchange transactions	(1 516 732 784)	(831 971 782)	(1 517 703 402)	(825 510 106)
Receivables from non-exchange transactions	(713 953 975)	(852 591 594)	(713 666 001)	(852 591 594)
Trade payables from exchange transactions	(144 961 982)	(72 884 148)	(140 191 699)	(77 017 937)
Unspent conditional grants and receipts	137 849 759	8 326 318	142 487 390	4 766 362
Consumer deposits	2 836 760	3 521 156	2 836 760	3 521 156
	1 190 833 487	**1 185 138 683**	**1 194 613 314**	**1 167 134 851**

54. Operating leases - as lessee (expense)

Minimum lease payments due - Buildings				
- within one year	4 734 238	13 045 641	3 252 201	11 580 354
- in second to fifth year inclusive	5 524 012	6 334 270	3 070 060	5 479 519
	10 258 250	**19 379 911**	**6 322 261**	**17 059 873**

Operating lease payments represent rentals payable by the municipality for certain of its office properties.

Leases are negotiated for an average term of five years and rental escalates at annual fixed rates that vary between 0% and 12% annually.

No contingent rent is payable.

There were no sublease agreements between BCMM and third parties.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

54. Operating leases - as lessee (expense) (continued)

Minimum lease payments due - Printing Machines				
- within one year	5 936 783	5 510 346	5 901 068	5 449 121
- in second to fifth year inclusive	3 111 027	7 160 933	3 111 027	7 125 219
	9 047 810	**12 671 279**	**9 012 095**	**12 574 340**

Operating lease payments represent rentals payable by the municipality for certain of its printing machinery.

Leases are negotiated for an average term of three years and there is no rental escalation.

No contingent rent is payable.

55. Inventories losses/write-downs

Other inventory losses	487 498	254 747	478 895	266 513
Real losses	116 363 746	89 510 613	116 363 746	89 510 613
Apparent losses	71 124 307	58 453 464	71 124 307	58 453 464
	187 975 551	**148 218 824**	**187 966 948**	**148 230 590**

Refer to note 46 for detail on water losses.

56. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Community (including housing)	441 023 413	454 971 692	441 023 413	454 971 692
• Infrastructure	28 513 990	78 267 814	28 513 990	78 267 814
• Other	266 147	1 867 450	266 147	1 867 450
• Annual contracts	209 790 115	113 723 491	209 790 115	113 723 491
	679 593 665	**648 830 447**	**679 593 665**	**648 830 447**
Total capital commitments				
Already contracted for but not provided for	679 593 665	648 830 447	679 593 665	648 830 447

Authorised operational expenditure

Already contracted for but not provided for				
• Design & Implementation Services of the Duncan Village Buy-Back Centre Through a Turnkey Solution in Buffalo City	17 292 093	-	-	-
• Other	6 676 929	7 253 711	-	-
	23 969 022	**7 253 711**	**-**	**-**
Total operational commitments				
Already contracted for but not provided for	23 969 022	7 253 711	-	-

This committed expenditure relates to Infrastructure, Community, Property, Plant and Equipment and Annual contracts. Refer to note 4 Property, plant and equipment.

Consultants and professional fees are not included in the commitment disclosure due to their nature and the fact that their costs can only be determined after the works have been concluded and payment made. This is because the amount of expenditure relating to consultants cannot be determined in advance and will only be determined once expenditure is incurred.

The above amounts exclude VAT.

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

57. Contingencies

Litigation issues These are instances whereby legal claims have been instituted against Council by various third parties. Legal advice is sought and Council will defend claims where so advised.	42 811 658	176 729 679	42 811 658	176 729 679
Labour issues These are instances whereby labour disputes have resulted in possible claims by employees.	24 879 967	24 903 664	24 879 967	24 903 664
Insurance issues These are instances whereby insurance claims have been instituted against Council by various third parties. Advise is sought from Council’s insurers whether BCMM is liable. If BCMM is liable, then Council’s insurers will determine the settlement amount to be paid. If BCMM is not liable, then Council’s insurers will legally defend the matter on Council’s behalf.	286 625 010	226 612 041	286 625 010	226 612 041
Other matters Litigation concern relating to services rendered	15 864 840	-	15 864 840	-
BCMDA - Litigation issues These are instances whereby legal claims have been instituted against the Agency by various third parties. Legal advice is sought and the Agency will defend claims where so advised.	2 946 362	31 904 977	-	-
BCMDA - Labour issues These are instances whereby labour disputes have resulted in possible claims by employees.	-	6 508 540	-	-
	373 127 837	**466 658 901**	**370 181 475**	**428 245 384**

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

58. Related parties

Relationships	
Controlled entities	Buffalo City Metropolitan Development Agency SOC Ltd
Associates	Refer to note 7
Members of key management	Refer to note 38 and 39

Buffalo City Metropolitan Development Agency (BCMDA) (a SOC Ltd company registration no 2016/168330/30).

The BCMDA was incorporated on 20 April 2016 as a Municipal Entity of BCMM. BCMDA is 100% controlled by BCMM.

BCMM relationship with BCMDA: Subsidiary - Buffalo City Metropolitan Development Agency (SOC) Ltd.

The municipality issued grants of R36 996 228 to BCMDA during the current financial year (2024: R44 071 372) (VAT exclusive).

BCMM has raised a creditor amounting to R1 833 238 due to an outstanding BCMDA invoice that relates to Duncan Village Buy Back Centre which is funded through the European Union grant funding (2023/2024: R0). BCMM has also raised a debtor of the same amount due to the outstanding grant funding from National Treasury (2023/2024: R0)

European Union grants funding amounting to R0 was received by BCMM for the Duncan Village Buy Back Centre (2023/2024: R16 143 125)

An allocation of R1 600 000 has been granted to BCMDA for the Sector Development Programmes in 2024/2025 financial year (2023/2024: R0)

BCMM reimbursed BCMDA with an amount of R0 (2024: R4 396 579) (VAT exclusive) and a payable of R0 (2024: R5 388 300) is due to BCMDA for the implementation of the BCMDA East London Beachfront and Water World Project.

BCMM reimbursed BCMDA with an amount of R98 794 (2024: R15 554 130) (VAT exclusive) and a payable of R0 (2024: R1 188 362) is to BCMDA for the Public Employment Programme that is funded through the Neighbourhood Development Partnership Grant.

Agency fees amounting to R0 (2023/2024: R782 790) (VAT exclusive) were recognised relating to projects implemented and administered on behalf of BCMM, of this amount a payable of R0 (2023/2024: R431 064) is due to BCMDA.

BCMDA has paid no consumer accounts during the current financial year.

There are no share-based payments in respect of BCMDA.

There are no post-employment benefits for key personnel in respect of BCMDA.

BCMM paid an amount of R1 369 768 (2024: R3 882 676) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2023/24 financial year to the East London IDZ.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Key management information - BCMDA

Class	**Description**	**Number**
Non-executive board members	Board of Directors	5
Audit and risk committee	Shared with parent municipality	3
Executive management	Agency management	5
Councillors	Shareholder representative	1

59. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Accumulated surplus prior to 2023

	Note	As previously reported	Correction of error	Restated
Opening balance		10 436 314 970	-	10 436 314 970
Various		-	20 676 305 955	20 676 305 955
		10 436 314 970	**20 676 305 955**	**31 112 620 925**

Economic entity - 2024

Summary of Statement of Financial Position	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Inventories	8		69 398 396	-	-	69 398 396
Receivables from non-exchange transactions	9	i,k,l	1 197 137 575	135 021 435	-	1 332 159 010
Receivables from exchange transactions	10	h,k,l	2 145 176 988	(267 486 156)	-	1 877 690 832
Cash and cash equivalents	12		720 986 557	-	-	720 986 557
Investment property	3	n	484 115 274	284 335 727	-	768 451 001
Property, plant and equipment	4	c,f,n	30 442 362 243	11 662 276 564	-	42 104 638 807
Intangible assets	5	o	7 247 129	(427 706)	-	6 819 423
Heritage assets	6	n	54 060 071	106 000	-	54 166 071
Investment in associate	7		726 924 658	463 829	-	727 388 487
Borrowings	18		(28 813 896)	-	-	(28 813 896)
Finance lease obligation	19		(157 612)	-	-	(157 612)
Operating lease liability	15		(152 657)	-	-	(152 657)
Trade payables from exchange transactions	21	a,b,f,m	(1 754 175 779)	(13 616 675)	-	(1 767 792 454)
Consumer deposits	22		(87 137 643)	-	-	(87 137 643)
Employee benefit obligation	16		(66 698 000)	-	-	(66 698 000)
Unspent conditional grants	17		(289 600 698)	7 309 077	253 912 264	(28 379 357)
Provisions	20	g	(384 931 441)	2 910 301	-	(382 021 140)
Borrowings	18		(79 793 735)	-	-	(79 793 735)
Employee benefit obligation	16		(770 563 000)	-	-	(770 563 000)
Finance lease obligation	19		(55 669)	-	-	(55 669)
Other liabilities	14		-	1	(253 912 264)	(253 912 263)
Provisions	20	g	(111 144 162)	2 845 507	-	(108 298 655)
Revaluation reserve	13		(21 664 108 227)	9 321 492 207	-	(12 342 616 020)
Accumulated surplus			(10 610 076 372)	(21 135 230 111)	-	(31 745 306 483)
		-	-	-	-	-

59. Prior-year adjustments (continued)

Statement of financial performance

Economic entity - 2024

Summary of Statement of Financial Performance	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	26	i,j	(4 333 828 824)	127 488 114	37 957 882	(4 168 382 828)
Rental of facilities and equipment	27		(23 226 131)	90 126	-	(23 136 005)
Construction contract	28		(91 712 399)	-	-	(91 712 399)
Other revenue (exchange)	30		(83 056 771)	-	-	(83 056 771)
Interest received	31		(328 377 833)	11 187 163	(1 320 401)	(318 511 071)
Agency fees	29		(18 764 272)	-	-	(18 764 272)
Property rates	33	h,j	(2 127 633 956)	22 385 769	-	(2 105 248 187)
Licences and Permits (non-exchange)	34		(13 697 831)	12 996	-	(13 684 835)
Service charges - Availability charges	32	-	-	-	(37 957 882)	(37 957 882)
Interest (non-exchange)	35		(112 362 090)	1 449	1 320 401	(111 040 240)
Government grants and subsidies	36		(2 130 198 037)	(7 309 077)	-	(2 137 507 114)
Other revenue (non-exchange)	37		(97 920 061)	(330 665)	-	(98 250 726)
Public contributions and donations	25		(22 409 060)	-	-	(22 409 060)
Fines	25		(65 437 669)	-	-	(65 437 669)
Fuel levy	25		(741 926 000)	-	-	(741 926 000)
Employee related cost	38	a	2 701 208 808	39 213 656	-	2 740 422 464
Remuneration of councillors	39	b	70 959 578	1 932 103	-	72 891 681
Inventory consumed	40		336 956 044	(5 689 003)	-	331 267 041
Depreciation and amortisation	41	n	1 891 872 716	(267 023 980)	-	1 624 848 736
Finance cost	43		46 210 625	-	-	46 210 625
Debt Impairment	45	l	1 336 717 876	(45 263 421)	-	1 291 454 455
Repairs and maintenance	47	c,f	485 105 498	(55 175 197)	-	429 930 301
Bulk purchases	46		2 252 355 443	-	-	2 252 355 443
Contracted services	48	f	385 191 318	5 240 564	-	390 431 882
Grants and subsidies paid	49		71 316 468	-	-	71 316 468
General expenses	50	f	632 320 632	176 342	-	632 496 974
Gain/(Loss) on disposal of assets	4		351 670 867	(52 608 336)	-	299 062 531
Fair value adjustments	51		(23 153 674)	(284 335 727)	-	(307 489 401)
Share of surplus of associate	7	o	(40 750 306)	(1 525 368)	-	(42 275 674)
Inventories losses/write-downs	55		148 218 824	-	-	148 218 824
Impairment loss			-	52 608 336	-	52 608 336
(Surplus) / Deficit		**-**	**455 649 783**	**(458 924 156)**	**-**	**(3 274 373)**

Other disclosure items	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Contingencies - Other matters	57		216 484 622	(39 754 943)	-	176 729 679
Commitments - Community (including housing)	56	d	151 220 734	303 750 958	-	454 971 692
Commitments - Infrastructure	56	d	76 974 987	1 292 827	-	78 267 814

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

59. Prior-year adjustments (continued)

Cash flow statement

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services	e	5 757 321 456	100 790 562	5 858 112 018
Government grants and subsidies		2 164 620 045	(18 786 612)	2 145 833 433
Interest income	e	440 739 923	(83 897 373)	356 842 550
Employee costs & Councillors remuneration	e	(2 702 089 343)	(42 132 064)	(2 744 221 407)
Suppliers and other payments	e	(4 508 825 705)	89 505 277	(4 419 320 428)
Finance costs		(11 564 956)	(542 527)	(12 107 483)
	-	**1 140 201 420**	**44 937 263**	**1 185 138 683**
Cash flow from investing activities				
Purchase of property, plant and equipment	e	(1 067 782 822)	(44 631 534)	(1 112 414 356)
Proceeds from sale of property, plant and equipment		30 434	-	30 434
Purchase of other intangible assets		(197 463)	-	(197 463)
Purchase of other heritage assets		(1 180 000)	-	(1 180 000)
	-	**(1 069 129 851)**	**(44 631 534)**	**(1 113 761 385)**
Cash flow from financing activities				
Repayment of borrowings		(30 246 177)	-	(30 246 177)
Movement in finance lease obligation		186 167	(305 728)	(119 561)
		(30 060 010)	**(305 728)**	**(30 365 738)**

Explanations of errors

a) The error is in respect of results of the Job Evaluation process which was undertaken by BCMM with the calculations backdated from 1 July 2015 and payment done in the 2023/24 Financial year.

b) The error relates to increases for Councillors with effect from 01 July 2022 as per the Government Gazette 46470 of June 2022, with payment done in the 2023/24 Financial year.

c) The refurbishment of the KWT Traffic Services Stone Building was initially misclassified under capital expenditure, but subsequent consultancy costs were later identified as operational, requiring a journal correction to address a prior period error. The Directorate has since committed to budgeting all future desktop assessments under operating expenses to ensure proper classification and prevent recurrence.

d) During the restatement process, the population was reviewed, and the correct expenditure per contract was identified. The expenditure incurred was then linked to the total contract value, including any variation orders or contract amendments. For the contracts in question, during the 22/23 & 23/24 financial years, these projects have been omitted on the commitments disclosure. As the projects had been correctly captured in the financial year it was incurred.

e) Cash flow effect of all prior period adjustments.

f) During the 2024 audit, the Auditor-General identified that certain transactions had been incorrectly recorded under Repairs and Maintenance in the general ledger. Upon detailed review, it was determined that some of these expenditures were capital in nature and should have been classified as Capital Expenditure.

g) The landfill sites were evaluated in terms of GRAP and the Municipality's policies and it was found that these had not been depreciated or revalued as required, and an additional difference of R4.7m arose as a result of an error in processing in 2024. The 2023 and 2024 values were used as a baseline valuations and deemed costs at 1 July 2007 calculated to allow for a restatement to revalued amounts and calculate depreciation.

h) Prior year adjustments were required due to supplementary valuation rolls, objections, and appeal board outcomes, with changes applied retrospectively where valuation and objection dates fell before the financial year-end of 30 June. Adjustments cannot be prevented and made in line with MPRA provisions.

59. Prior-year adjustments (continued)

i) Errors arose from leaks, meter issues, incorrect billing, tariff changes, and infrastructure theft. Full recurrence cannot be avoided due to external factors that occur in certain instances, but a drive to clear outstanding billing queries is aiding in minimising adjustments.

j) Beneficiaries fail to report status changes, and the lack of external database access, for example Department of Home Affairs, results in invalid subsidies. Quarterly checks with AGSA and a new Indigent Management System will limit prior period adjustments.

k) Debt write-offs had to be reversed where external data revealed that customers were not eligible, or where subsequent billing adjustments created credit balances on accounts. While reversals cannot be fully avoided, improved controls aim to reduce the number of journal adjustments required.

l) Prior period debtor adjustments affected closing balances, requiring opening balance corrections in the prior period. Recurrence is unavoidable as long as debtor-related prior period journals exist.

m) A billing system error with SSEG tariffs caused mismatches between the ledger and the billing register. System fixes and monthly reconciliations now ensure alignment, with adjustments limited to the current period.

n) The City conducted a comprehensive review of historical Work-in-Progress (WIP) statuses to identify items that are eligible for capitalisation hence prior year additions. This exercise ensured that all completed projects and qualifying expenditures were appropriately transferred to the relevant asset classes, thereby enhancing the accuracy of the asset register.

In parallel to this, the City undertook a systematic reassessment of the Estimated Useful Lives (EUL) of assets across all categories. This adjustment aligned the EULs to the upper limits of the prescribed policy bands for each asset class, reflecting revised expectations of asset longevity and service potential.

Furthermore, a detailed review of historical Current Replacement Cost (CRC) calculations was performed to validate the integrity of prior valuations and ensure consistency with GRAP requirements in relation to accumulated surplus.

o) There was a change in East London Industrial Development Zone (Pty) Ltd comparative figures due to a prior period error recorded. The municipality restated the investment in associate accordingly.

60. Comparative figures

Certain comparative figures have been reclassified. Refer to note 59 Prior year adjustments for detail.

61. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk Management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

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

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

Credit risk

Credit risk consists mainly of cash deposits (refer note 12), deteriorating audit outcomes, low collection rates and trade debtors (refer note 9, 10 and 11). The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party, which is in line with Investment regulations and policy on investment.

61. Risk management (continued)

Market risk

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk, however all finance charges are on the variable interest rate.

The risk of a decrease in interest rate will place additional pressure to funding operations as a result of less income being realised from interest received and vice versa for finance charges.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.75 %	3 452 940 874	-	-	-	-
Cash in current banking institutions	6.85 %	95 641 694	-	-	-	-
Call Investments deposits	7.59 %	635 292 759	-	-	-	-
Trade and other payables - extended credit terms	9.85 %	1 226 161 689	-	-	-	-
Long term borrowings	8.30 %	25 085 847	20 829 396	8 416 924	9 375 411	12 086 155

Sensitivity Analysis of Market Risk

Effect of a 1% change in the interest rate	Current interest rate	Value as at 30 June 2025	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables - normal credit terms	11.75 %	3 452 940 874	3 089 879 977	3 117 779 570	3 062 475 276
Cash in current banking institutions	6.85 %	95 641 694	89 510 242	90 355 875	88 680 291
Call Investments deposits	7.59 %	635 292 759	590 475 657	596 015 348	585 037 995
Trade and other payables - extended credit terms	6.85 %	1 226 161 689	1 147 554 225	1 158 395 549	1 136 913 944
Short term borrowings	8.30 %	25 085 847	23 163 294	23 379 168	22 951 370
Long term borrowings	8.30 %	54 707 887	50 515 131	50 985 915	50 052 962

The sensitivity analysis was based on the assumption that a 1% increase or decrease in the interest rate could occur.

The method used to prepare the sensitivity analysis was based on the discounted value of the respective cash flow for 1 year using the respective current interest rate in order to determine the effect of applicable market risk of a 1% increase or decrease in the interest rate.

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents and equity.

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

The municipality is in an enviable position of having access to additional long-term facilities in order to invest in the replacement of infrastructure assets.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

62. Going concern

The audited 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 that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

It is the responsibility of management to make an assessment of whether the going concern presumption is appropriate, or not, when preparing the financial statements.

In order to conclude as to whether, or not, an entity is able to continue in business for the foreseeable future, management makes judgments on various uncertain future outcomes of events or conditions, e.g., Inflation, Division of revenue adjustments etc.

This assessment is based on the reported results and financial position for the year ended 30 June 2025.

Buffalo City Metropolitan Municipality is a category “A” size municipality providing electricity, refuse and other services. Refuse and other services are not affected by external factors.

At the time of making this assessment there are no subsequent events that may result in outcomes that are inconsistent with judgments made.

Liquidity ratios				
Current ratio	1.79	1.69	1.78	1.69
Acid test ratio	1.76	1.66	1.75	1.66
Cash coverage	0.86	0.71	0.86	0.71
Cash ratio	0.43	0.39	0.43	0.39

These ratios above indicate a satisfactory current asset to current liability position at year end. The City undertook a vigorous drive to improve revenue collection, minimize electricity and water losses as a result there has been a significant improvement in the City’s Liquidity ratio. BCMM cash ratio and cash coverage is below the National Treasury norm, which has an adverse effect on the going concern of the City. The resultant cause is mainly due to the Cities collection rate also being below the National treasury norm and further our own projected collection of 77%. The City has a adopted a financial recovery plan to contain costs and also fully implement its credit control as part of its revenue enhancements strategy. This is monitored on a quarterly basis.

Gearing ratio				
Borrowings	79 793 734	108 607 631	79 793 734	108 607 631
Net assets	43 010 999 847	44 087 922 503	42 984 525 991	44 065 827 698
Borrowings as a percentage of net assets	0.19 %	0.25 %	0.19 %	0.25 %

The noted decrease in Net Assets is primary due to property plant and equipment carrying value due the total verification of assets, resulting in the increase in impairment based on the condition of our assets on the ground. Financially the municipality is sound with borrowings accounting for less than 1% of the net assets for the year under review.

Operating results and Cash flows from operating activities				
Total revenue	11 023 025 437	10 037 025 059	11 015 270 060	10 020 121 681
Operating expenditure	(12 014 652 867)	(10 033 750 686)	(12 011 276 491)	(10 031 081 521)
Operating (deficit)	(76 688 339)	153 398 989	(81 075 943)	139 177 836
Cash flows from operating activities	1 190 833 487	1 185 138 683	1 194 613 314	1 167 134 851
Cash and cash equivalents	731 028 583	720 986 557	697 781 225	683 762 515
Cumulative (deficit)	(995 947 254)	(632 386 022)	(1 006 966 271)	(622 979 016)

This deficit is as result of significant increases on non-cash items emanating from asset impairments.
.
At 30 June 2025, the municipality is liquid. It is noted that net cash flows from operating activities increased from the 30 June 2024 to 30 June 2025.

The table above demonstrates the cash resources position at 30 June 2024 with an increase at 30 June 2025. The City is currently revisiting its capital prioritization funding methodology and also reviewing its credit control initiatives to better improve revenue collection. The City anticipates to meet its obligations as and when they fall due from normal operations.

Operational forecast	**30 June 2026**
Operating Revenue	10 967 399 487
Operating expenditure	(10 366 308 389)
Surplus	601 091 098

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

62. Going concern (continued)

The municipality anticipates that all operational expenditure as forecasted will be honored with the sufficient budgetary provisions. The forecast operating results to 30 June 2026 reflect that the municipality will generate a surplus which will be utilized to fund future capital requirements.

Debtor days - 30 days

Number of days			344days	316days

The City is continuing to strengthen the implementation of Credit Control actions on a monthly basis.

Creditors - 30 days

Number of days			76days	46days

BCMM always strives to pay all its creditors within 30 days as stipulates by section 65(e) of the MFMA except when there are disputes on received invoices. BCMM will seek NT guidance as to which point one starts calculating the creditor’s days. Is it on invoice date or upon receipt of invoice or on goods receipt. The matter will be escalated to National Treasury for consultation in the 2025/26 Financial year.

Repairs and maintenance

% of Property, plant and equipment			0.93%	1.02%
Assets renewal & rehabilitation as percentage of depreciation			40.35%	43.39%

BCMM Repairs and Maintenance expenditure level is sitting far below the MFMA circular 71 target. Numerous engagements on the non-achievement of the 8% have been held with NT and the City has made a representation that it accounts for its immovable on the revaluation method. This was undertaken to have the true replacement cost of its infrastructure so as to increase its accumulation of reserves by drafting a policy to ringfence all interest on investments towards infrastructure replacement. This became unsustainable as the cities cash and cash equivalents declined. This necessitated the review of the accounting policy for its immovable assets. The review and implementation back to the cost model has significant risks and the city is still consulting on this review to ensure it achieved the 8% of PPE and achieves cost reflectivity (affordability) of the cities tariffs.

Consideration of National Rating Trigger

GCR Ratings (GCR), independent credit rating company, has affirmed Buffalo City Metropolitan Municipality’s national scale long and short-term issuer ratings to A-(ZA) and A2(ZA) respectively. The ratings have been maintained on Negative Outlook. The rating affirmation on Buffalo City Metropolitan municipality (BCMM or the Metro) reflects its net ungeared financial position despite persistent cash flow pressures due to weak debtor collection rates. The Metro has also managed to balance its income and expenditure, preventing further erosion of its liquidity profile. However, the Negative Outlook reflects the difficulties in improving debtors' collection, affecting liquidity and capital expenditure on a sustained basis. This rating decline is also mainly caused by Industry portfolio decline as a factor in rating consideration to which this is outside the control of the City. GCR has also recently taken a more negative view of the South African municipal and public sector, given the increasingly complex environment, where operating underperformance and rising responsibilities are contributing to financial distress and a deterioration in service delivery.

Impact of Mercedes Benz South Africa (MBSA) Retrenchment

Buffalo City Metro has been engaging with key players in the Province such as the Office of the Premier (OTP), Department of Economic Development and Environmental Affairs and Tourism (DEDEAT), the East London Special Economic Zone (IDZ), Automotive Industry Development Centre Eastern Cape (AIDC EC) to consider various ways of intervening and providing support to the ailing automotive industry. Buffalo City Metro did not conduct an entire assessment but was able to collect some data which has been released for the third quarter (Q3) of 2025:

- Due to the slump in demand for vehicles which arose from the import tariffs imposed by the United States of America, MBSA downscaled its production from three-shifts to two-shifts, thereby shedding 700 jobs.
- The exports of the C-Class to the US, which is around +90% of its production decreased exponentially by 82%.
- This had a ripple effect on the component suppliers most of which are at the East London SEZ,
- The overall risk in the Buffalo City Region is estimated at 40 000 potential job losses in the longer term if the situation does not improve or there are no meaningful interventions.
- Over and above the job losses, the Metro will potentially lose revenue as more people will become indigent.
- Reduced demand for utilities such as water and electricity will have more devastating effects on the municipal revenue base. Most of these companies and in particular MBSA is a bulk user.

Together with the above-mentioned stakeholders, BCMM pursued a Chinese company to consider setting up its auto plant on a “multi-OEM” model platform, using the spare capacity at the MBSA plant. The second intervention is looking at reviewing the current investment incentives package, benchmarking from the likes of Nelson Mandela Metro Municipality and Tshwane. Buffalo City remains committed to the Memorandum of Understanding it has with MBSA and will consider critical issues that are deserving attention to retain the investment in the Metro.

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

Management is satisfied that the municipality continues to operate on a going concern basis and will continue to do so for the foreseeable future.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

63. Events after the reporting date

There are no events after reporting date to be disclosed.

64. Unauthorised expenditure

Opening balance as previously reported	368 454 149	-	403 496 432	-
Add: Unauthorised expenditure - current	643 565 756	368 454 149	646 822 778	403 496 432
Less: Expenditure authorised in terms of section 32 of the MFMA	(368 454 149)	-	(403 496 432)	-
Closing balance	**643 565 756**	**368 454 149**	**646 822 778**	**403 496 432**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	643 565 756	368 454 149	646 822 778	403 496 432

Analysed as follows: non-cash

Debt impairment	56 212 014	-	56 212 014	-
Inventory consumed and bulk purchases	18 936 104	-	22 187 279	-
Finance Charges (Interest)	35 502 068	32 618 557	35 484 631	32 618 557
Other losses	-	-	-	19 092 254
Loss on derecognition of assets	-	335 835 592	-	351 785 621
Depreciation & amortisation	532 915 570	-	532 938 854	-
	643 565 756	**368 454 149**	**646 822 778**	**403 496 432**

The 2025 unauthorised expenditure:

The unauthorised expenditure of R643 565 756 relates to the following:
Debt impairment (R56 212 014) due to the following:
- Low collection rate, the target was 77% as at 30 June 2025, and 70% was achieved.
- There was an increase in non-purchases in prepayment electricity, an indication of increased meter tampering, which affects revenue collection.
- There has been an increase in Electricity and Water losses. Meter Tampering has significantly increased year-on-year, which causes any suspension of services to be ineffective.
- For 2024/25: 5,134 less customers made payments as compared to 2023/24 financial year, an indication of economic decline, i nflation, possible meter tampering etc.
- Inventory consumed and bulk purchases relates to secondary costing journals passed: R18 936 104
- Finance charges (Interest) due to non-cash accrued interest in respect of the Landfill Provision: R35 502 068
- Depreciation & Amortisation is due to asset impairment: R532 915 570

The 2024 unauthorised expenditure:

The unauthorised expenditure of R368 454 149 relates to the following:
- non-cash accrued interest in respect of the Landfill Provision: R32 618 557
- loss on derecognition of assets: R335 835 592

The 2024 unauthorised expenditure of R368 454 149 was authorised in a Council meeting on the 24th January 2025.

Unauthorised expenditure: Budget overspending – per directorate:

Infrastructure services	404 086 266	230 157 920	404 086 267	230 157 920
Spatial planning and development	41 387 944	-	41 387 944	-
Public safety & emergency services	142 762 924	-	142 762 924	-
Economic development & agencies	-	-	-	37 391 353
Solid waste & environmental management	-	36 092 597	-	36 092 597
Sports, recreation & community development	7 224 204	-	7 224 204	-
	595 461 338	**266 250 517**	**595 461 339**	**303 641 870**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

65. Fruitless and wasteful expenditure

Opening balance as previously reported	50 389 955	11 239 847	981 826	10 731 676
Add: Fruitless and wasteful expenditure identified - current	5 622 664	692 826	5 622 664	692 826
Add: Fruitless and wasteful expenditure identified - prior period	-	48 899 958	-	-
Less: Amount written off - current	(49 408 129)	(10 442 676)	-	(10 442 676)
Closing balance	**6 604 490**	**50 389 955**	**6 604 490**	**981 826**

BCMM has established a Municipal Public Accounts Committee (MPAC) which is constituted by Council to investigate all irregular, fruitless and wasteful expenditure. The MPAC recommends to Council the write off and future actions to be taken in accordance with the provisions in terms of Section 32 of the MFMA.

Cases under investigation

Investigations are still progress regarding 5 (2024: 2) which relate to payment made without reasonable care.

R48.9 million of fruitless and wasteful expenditure was incurred in previous year but discovered in the current year and relates to poor project management during the construction of the Water World and Court Crescent Parks.

The Board resolved to write off an amount of R49 408 129 as at 30 June 2025.

Amount recoverable

There are no recoverable amounts.

Amount written-off

After the MPAC investigations, Council / BCMDA Board adopted the MPAC recommendations to write-off R49 408 129 (2024: R10 442 676) from the total fruitless and wasteful expenditure amount as it was proven to be irrecoverable.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated

66. Irregular expenditure

Opening balance as previously reported	10 555 695 972	10 896 378 423	10 555 443 257	10 870 106 978
Opening balance as restated	**10 555 695 972**	**10 896 378 423**	**10 555 443 257**	**10 870 106 978**
Add: Irregular Expenditure - current	1 140 130 371	1 330 886 824	1 139 643 154	1 317 740 495
Less: Amounts ratified / approved as irrecoverable by Council and written off - Prior period	(67 282 119)	(1 671 569 275)	(66 542 187)	(1 632 404 216)
Closing balance	**11 628 544 224**	**10 555 695 972**	**11 628 544 224**	**10 555 443 257**

Details of irregular expenditure

Procurement made outside SCM regulations	461 228 113	1 226 753 687	461 228 113	1 226 753 687
Procurement made outside SCM regulations (under determination)	641 905 483	-	641 905 483	-
Bid Construction Contracts (BCC)	13 241 646	57 841 873	13 241 646	57 841 873
Annual contracts	6 186 726	20 642 181	6 186 726	20 642 181
Informal contracts	17 081 186	12 502 754	17 081 186	12 502 754
Bid Adjudication Committee - BCMDA	487 217	13 146 329	-	-
	1 140 130 371	**1 330 886 824**	**1 139 643 154**	**1 317 740 495**

Expenditure amounting to R641 905 483 included in the balance above has been declared as irregular expenditure and is still under determination. The final classification and disclosure remain subject to the outcome of further engagement with appropriate authorities which may result in adjustments in a future reporting period.

67. In-kind donations and assistance

FELZOO donated assistance to BCMM	14 216	134 146	14 216	134 146
FELA donated assistance to BCMM	11 750	6 000	11 750	6 000
Nahoon Point Nature Reserve	67 669	90 099	67 669	90 099
	93 635	**230 245**	**93 635**	**230 245**

The nature of the above In-kind donations and assistance amounts are ad-hoc cash donations which are non-exchange transactions.

68. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	19 894 406	18 592 903	19 894 406	18 592 903
Amount paid - current year	(19 894 406)	(18 592 903)	(19 894 406)	(18 592 903)
	-	-	-	-

Contributions to SA Cities Network				
Add: Losses identified - prior period	5 540 077	5 275 564	5 540 077	5 275 564
Less: Amounts recovered - current	(5 540 077)	(5 275 564)	(5 540 077)	(5 275 564)
	-	-	-	-

Audit fees

Current year subscription / fee	29 966 205	23 917 137	29 008 452	22 982 780
Amount paid - current year	(29 966 205)	(23 917 137)	(29 008 452)	(22 982 780)
	-	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

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

PAYE, UIF and Skills Development Levy

Opening balance	648 945	1 068 131	-	-
Current year subscription / fee	516 962 946	448 417 921	510 556 921	441 353 187
Amount paid - current year	(517 781 306)	(448 837 107)	(510 556 921)	(441 353 187)
	(169 415)	**648 945**	**-**	**-**

Amounts in respect of June 2025 were paid by the 7 July 2025 as per legislation, therefore there were no outstanding amounts for the financial this period.

Pension and Medical Aid Deductions

Opening balance	57 510	136 854	-	-
Current year subscription / fee	690 087 627	652 437 795	688 738 422	650 795 027
Amount paid - current year	(690 080 679)	(652 517 139)	(688 738 422)	(650 795 027)
	64 458	**57 510**	**-**	**-**

Amounts in respect of June 2025 were paid by the 7 July 2025 as per legislation, therefore there were no outstanding amounts for the financial this period.

VAT

VAT receivable	246 606 494	162 933 182	246 232 135	163 768 313

VAT output payables and VAT input receivables are shown in note 23.

All VAT returns have been submitted by the due date throughout the year. VAT is only declared to SARS on receipt of payment from consumers and claimed on payment to suppliers.

Councillors' arrear consumer accounts

Arrear Councillors accounts totalling R45 550 were outstanding for more than 90 days at 30 June 2025 (2024 R50 388) for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor.

30 June 2025	Outstanding more than 90 days R	Total R
Councillor X.A. Pakati	40 277	40 277
Councillor Z. Mtyingizane	662	662
Councillor V. Siboyana	4 611	4 611
	45 550	**45 550**

30 June 2024	Outstanding more than 90 days R	Total R
Councillor M.L. Nyusile	12 454	12 454
Councillor N. Maxongo	37 934	37 934
	50 388	**50 388**

At year end, officials accounts totalling R15 080 191 (2024: R15 194 711) were outstanding for more than 90 days.

	Economic entity		Controlling entity	
Figures in Rand	2025	2024 *Restated	2025	2024 *Restated

69. Deviation from supply chain management regulations

Regulation 36 of the MFMA on Supply Chain Management (SCM) Regulations and clause 36 of the SCM Policy of 2012 states that a SCM Policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

During the financial year under review goods/services totalling R777 979 778 (2024: R171 560 342) were procured and the process followed in procuring those goods/services deviated from the provisions of the regulations as stated above. The accounting officer approved the deviations from the normal SCM regulations.

Type of contract	No of contracts Economic entity	Value of contracts Economic entity	No of contracts Controlling entity	Value of contracts Controlling entity
Emergency	4	52 200 916	4	52 200 916
Sole supplier	16	116 855 493	16	116 855 493
Other exceptional cases	11	69 833 921	10	69 163 361
Other exceptional cases (under determination) - Refer to note 63 Irregular expenditure	4	539 089 448	4	539 089 448
	35	**777 979 778**	**34**	**777 309 218**

Expenditure amounting to R539 089 448 included in the balance above has been declared as irregular expenditure and is still under determination. The final classification and disclosure remain subject to the outcome of further engagement with appropriate authorities which may result in adjustments in a future reporting period.

70. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of 5 major functional areas : Community and public safety, Economic and environmental services, Municipal governance and administration, Trading services and Other. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and Public Safety	Service or activity that is performed by the Metro for the benefit of the public or its institutions.
Economic and Environmental Services	Helps the Metro to make better decisions by identifying resources, understanding the needs of the public and formulate plans to make the local economy fully functional and investor friendly.
Municipal Governance and Administration	Management, cohesive policies, guidance, processes and decision-rights
Trading Services	Providing a service to customers at a tariff determined to “recover cost”.
Other	Tourism promotion & development and Operations of fresh produce market.

70. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Economic entity 2025

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	(321 817)	4 994 477 015	-	4 994 155 198
Rental of facilities and equipment	2 618 379	2 785 421	23 258 966	-	2 597 876	31 260 642
Construction contract	70 202 832	-	-	-	-	70 202 832
Agency services	21 002 430	-	-	-	-	21 002 430
Other revenue (exchange)	10 507 479	8 683 345	34 593 525	2 485 820	32 641 969	88 912 138
Interest received	-	2 716 834	95 418 071	232 116 326	-	330 251 231
Property rates	-	-	2 169 014 672	-	-	2 169 014 672
Licences and Permits (non-exchange)	15 552 910	-	-	-	874 242	16 427 152
Service charges - Availability charges	-	-	-	54 817 667	-	54 817 667
Interest (non-exchange)	-	-	117 527 205	6 326 999	-	123 854 204
Government grants & subsidies	313 969 333	251 661 143	571 737 573	998 016 385	48 034 854	2 183 419 288
Other revenue (non-exchange)	100 262 447	-	-	-	-	100 262 447
Public contributions and donations	451 013	-	-	5 215 416	-	5 666 429
Fines	56 647 107	-	-	-	-	56 647 107
Fuel levy	-	-	777 132 000	-	-	777 132 000
Total segment revenue	**591 213 930**	**265 846 743**	**3 788 360 195**	**6 293 455 628**	**84 148 941**	**11 023 025 437**

70. Segment information (continued)

Expenditure						
Employee related costs	(982 715 995)	(226 432 667)	(826 188 670)	(708 325 123)	(51 560 827)	(2 795 223 282)
Remuneration of councillors	-	(1 511 315)	(70 373 311)	-	-	(71 884 626)
Inventory consumed	(23 159 525)	(7 899 216)	(17 160 272)	(296 587 572)	(1 076 697)	(345 883 282)
Depreciation and amortisation	(105 507 536)	(546 285 783)	(175 595 679)	(801 070 079)	-	(1 628 459 077)
Finance costs	(750 559)	(2 448 156)	(910 744)	(40 135 774)	(222 981)	(44 468 214)
Debt Impairment	(141 746 292)	-	(559 474 344)	(1 286 375 091)	-	(1 987 595 727)
Bulk purchases	-	-	-	(2 631 543 066)	-	(2 631 543 066)
Repairs and maintenance	(19 036 682)	(58 174 779)	(32 921 604)	(267 004 706)	(2 816 536)	(379 954 307)
Contracted services	(141 982 229)	(22 243 611)	(151 831 088)	(181 680 361)	(14 438 262)	(512 175 551)
Grants and subsidies paid	(12 522 017)	-	(21 290 109)	(22 203 999)	(5 764 145)	(61 780 270)
General expenses	(86 978 942)	(24 205 483)	(284 203 266)	(218 143 672)	(27 215 011)	(640 746 374)
Net gain/(loss) on derecognition of assets	(516 995)	27 957 939	(33 758 001)	(4 288 753)	-	(10 605 810)
Inventories losses/write-downs	-	(8 603)	(478 895)	(187 488 053)	-	(187 975 551)
Fair value adjustments	-	-	20 012 000	-	-	20 012 000
Impairment loss	(22 512 971)	74 866 810	(72 703 115)	(707 805 531)	(6 238 998)	(734 393 805)
Share of surpluses or (deficits) from associates	-	-	(1 975 925)	-	-	(1 975 925)
Total segment expenditure	**(1 537 429 743)**	**(786 384 864)**	**(2 228 853 023)**	**(7 352 651 780)**	**(109 333 457)**	**(12 014 652 867)**
Total segmental surplus/(deficit)	**(946 215 813)**	**(520 538 121)**	**1 559 507 172**	**(1 059 196 152)**	**(25 184 516)**	**(991 627 430)**
Total Revenue as per Statement of Financial Performance						11 023 025 437
Total Expenditure as per Statement of Financial Performance						(11 099 713 776)
Other items as per Statement of Financial Performance						(914 939 091)
Economic entity's (deficit) for the period						**(991 627 430)**

The municipality does not disclose segment assets and liabilities as they are not regularly reported on and reviewed by management.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

70. Segment information (continued)

Economic entity 2024

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	434 091	4 167 948 737	-	4 168 382 828
Rental of facilities and equipment	2 674 280	1 805 515	15 778 412	-	2 877 798	23 136 005
Construction contract	91 712 399	-	-	-	-	91 712 399
Agency services	18 764 272	-	-	-	-	18 764 272
Other revenue (exchange)	16 595 372	12 045 017	19 538 440	3 073 109	31 804 833	83 056 771
Interest received	-	1 686 008	322 515 314	(5 690 251)	-	318 511 071
Property rates	-	-	2 105 248 187	-	-	2 105 248 187
Licences and Permits (non-exchange)	13 417 653	-	-	-	267 182	13 684 835
Service charges - Availability charges	-	-	-	37 957 882	-	37 957 882
Interest (non-exchange)	-	-	111 041 689	(1 449)	-	111 040 240
Government grants & subsidies	358 480 348	368 867 377	523 720 163	847 026 411	39 412 815	2 137 507 114
Other revenue (non-exchange)	98 250 726	-	-	-	-	98 250 726
Public contributions and donations	-	-	-	22 409 060	-	22 409 060
Fines	65 437 669	-	-	-	-	65 437 669
Fuel levy	-	-	741 926 000	-	-	741 926 000
Total segment revenue	**665 332 719**	**384 403 917**	**3 840 202 296**	**5 072 723 499**	**74 362 628**	**10 037 025 059**

70. Segment information (continued)

Expenditure						
Employee related costs	(936 706 413)	(240 557 067)	(775 505 019)	(736 831 940)	(50 822 025)	(2 740 422 464)
Remuneration of councillors	-	(1 992 201)	(70 899 480)	-	-	(72 891 681)
Inventory consumed	(26 093 939)	(9 793 492)	12 889 283	(306 361 195)	(1 907 698)	(331 267 041)
Depreciation and amortisation	(112 655 579)	(869 752 314)	(7 746 678)	(634 694 165)	-	(1 624 848 736)
Finance costs	(967 504)	(3 386 134)	(975 723)	(40 593 584)	(287 680)	(46 210 625)
Debt Impairment	(108 733 199)	-	(358 129 320)	(824 591 936)	-	(1 291 454 455)
Bulk purchases	-	-	21 573 308	(2 273 928 751)	-	(2 252 355 443)
Repairs and maintenance	(21 719 243)	(85 876 255)	(60 846 267)	(259 581 904)	(1 906 632)	(429 930 301)
Contracted services	(142 709 057)	(21 010 096)	(130 314 823)	(80 631 048)	(15 766 858)	(390 431 882)
Grants and subsidies paid	(244 588)	-	(37 465 860)	(24 221 798)	(9 384 222)	(71 316 468)
General expenses	(82 904 732)	(24 010 622)	(261 726 541)	(242 376 545)	(21 478 534)	(632 496 974)
Net gain/(loss) on derecognition of assets	-	289 434 005	25 434 425	(613 633 741)	(297 220)	(299 062 531)
Inventories losses/write-downs	-	11 766	(266 513)	(147 964 077)	-	(148 218 824)
Fair value adjustments	-	-	307 489 401	-	-	307 489 401
Share of surpluses or (deficits) from associates	-	-	42 275 674	-	-	42 275 674
Impairment loss	-	-	-	-	(52 608 336)	(52 608 336)
Total segment expenditure	**(1 432 734 254)**	**(966 932 410)**	**(1 294 214 133)**	**(6 185 410 684)**	**(154 459 205)**	**(10 033 750 686)**
Total segmental surplus/(deficit)	**(767 401 535)**	**(582 528 493)**	**2 545 988 163**	**(1 112 687 185)**	**(80 096 577)**	**3 274 373**
Total Revenue as per Statement of Financial Performance						10 037 025 059
Total Expenditure as per Statement of Financial Performance						(9 883 626 070)
Other items as per Statement of Financial Performance						(150 124 616)
Economic entity's surplus for the period						**3 274 373**

70. Segment information (continued)

Controlling entity 2025

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	389 756	4 993 765 442	-	4 994 155 198
Rental of facilities and equipment	2 618 379	2 785 421	23 258 966	-	2 597 876	31 260 642
Construction contract	70 202 832	-	-	-	-	70 202 832
Agency fees	21 002 430	-	-	-	-	21 002 430
Other revenue (exchange)	10 507 479	8 683 265	34 593 524	2 485 820	32 641 968	88 912 056
Interest received	-	-	95 418 071	232 116 328	-	327 534 399
Property rates	-	-	2 169 014 672	-	-	2 169 014 672
Licences and permits (non-exchange)	15 552 910	-	-	-	874 242	16 427 152
Service charges - Availability charges	-	-	-	54 817 667	-	54 817 667
Interest (non-exchange)	-	-	117 527 205	6 326 999	-	123 854 204
Government grants and subsidies	313 969 333	246 622 678	571 737 573	998 016 385	48 034 856	2 178 380 825
Other revenue (non-exchange)	100 262 447	-	-	-	-	100 262 447
Public contributions and donations	451 013	-	-	5 215 416	-	5 666 429
Fines	56 647 107	-	-	-	-	56 647 107
Fuel levy	-	-	777 132 000	-	-	777 132 000
Total segment revenue	**591 213 930**	**258 091 364**	**3 789 071 767**	**6 292 744 057**	**84 148 942**	**11 015 270 060**

70. Segment information (continued)

Expenditure						
Employee related cost	(982 715 995)	(199 799 667)	(804 504 241)	(730 009 549)	(51 560 830)	(2 768 590 282)
Remuneration of councillors	-	-	(70 373 311)	-	-	(70 373 311)
Inventory consumed	(23 159 525)	(7 899 216)	(17 160 272)	(296 587 572)	(1 076 697)	(345 883 282)
Depreciation and amortisation	(105 507 536)	(545 660 859)	(175 595 679)	(801 070 080)	-	(1 627 834 154)
Finance cost	(750 559)	(2 428 621)	(910 744)	(40 135 774)	(222 981)	(44 448 679)
Debt impairment	(141 746 292)	-	(428 306 479)	(1 417 542 956)	-	(1 987 595 727)
Bulk purchases	-	-	30 809 388	(2 662 352 454)	-	(2 631 543 066)
Repairs and maintenance	(19 036 682)	(57 618 702)	(32 921 604)	(267 004 704)	(2 816 538)	(379 398 230)
Contracted services	(141 982 229)	(14 073 544)	(151 831 088)	(181 680 361)	(14 438 262)	(504 005 484)
Grants and subsidies paid	(12 522 017)	-	(21 290 109)	(22 203 999)	(45 984 916)	(102 001 041)
General expenses	(86 978 937)	(18 131 857)	(284 203 266)	(218 143 672)	(27 215 017)	(634 672 749)
Gain/(loss) on disposal of assets	(516 995)	27 957 939	(33 758 001)	(4 288 752)	-	(10 605 809)
Fair value adjustments	-	-	20 012 000	-	-	20 012 000
Share of surplus of associate	-	-	(1 975 925)	-	-	(1 975 925)
Inventories losses/write-downs	-	-	(478 895)	(187 488 052)	-	(187 966 947)
Impairment loss	(22 512 969)	74 866 810	(72 703 115)	(707 805 531)	(6 239 000)	(734 393 805)
Total segment expenditure	**(1 537 429 736)**	**(742 787 717)**	**(2 045 191 341)**	**(7 536 313 456)**	**(149 554 241)**	**(12 011 276 491)**
Total segmental surplus/(deficit)	**(946 215 806)**	**(484 696 353)**	**1 743 880 426**	**(1 243 569 399)**	**(65 405 299)**	**(996 006 431)**
Total Revenue as per Statement of Financial Performance						11 015 270 060
Total Expenditure as per Statement of Financial Performance						(11 096 346 003)
Other items as per Statement of Financial Performance						(914 930 488)
Controlling entity's (deficit) for the period						**(996 006 431)**

The municipality does not disclose segment assets and liabilities as they are not regularly reported on and reviewed by management.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

70. Segment information (continued)

Controlling entity 2024

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	434 092	4 167 948 736	-	4 168 382 828
Rental of facilities and equipment	2 674 280	1 805 515	15 778 412	-	2 877 798	23 136 005
Construction contract	91 712 399	-	-	-	-	91 712 399
Agency services	18 764 272	-	-	-	-	18 764 272
Other revenue (exchange)	16 595 372	12 044 717	19 538 440	3 073 109	31 804 833	83 056 471
Interest received	-	-	322 515 314	(5 690 251)	-	316 825 063
Property rates	-	-	2 105 248 187	-	-	2 105 248 187
Licences and Permits (non-exchange)	13 417 653	-	-	-	267 182	13 684 835
Service charges - Availability charges	-	-	-	37 957 882	-	37 957 882
Interest (non-exchange)	-	-	111 041 689	(1 449)	-	111 040 240
Government grants & subsidies	358 480 348	353 650 307	523 720 162	847 026 411	39 412 816	2 122 290 044
Other revenue (non-exchange)	98 250 726	-	-	-	-	98 250 726
Public contributions and donations	-	-	-	22 409 060	-	22 409 060
Fines	65 437 669	-	-	-	-	65 437 669
Fuel levy	-	-	741 926 000	-	-	741 926 000
Total segment revenue	**665 332 719**	**367 500 539**	**3 840 202 296**	**5 072 723 498**	**74 362 629**	**10 020 121 681**

70. Segment information (continued)

Expenditure						
Employee related costs	(936 706 413)	(196 836 311)	(775 505 019)	(736 831 940)	(50 822 022)	(2 696 701 705)
Remuneration of councillors	-	-	(70 899 480)	-	-	(70 899 480)
Inventory consumed	(26 093 939)	(9 760 722)	12 889 283	(306 361 195)	(1 907 701)	(331 234 274)
Depreciation and amortisation	(112 655 579)	(868 668 885)	(7 746 678)	(634 694 166)	-	(1 623 765 308)
Finance costs	(967 504)	(3 359 021)	(975 723)	(40 593 584)	(287 680)	(46 183 512)
Debt Impairment	(108 733 199)	-	(258 985 427)	(923 735 829)	-	(1 291 454 455)
Bulk purchases	-	-	21 573 308	(2 273 928 751)	-	(2 252 355 443)
Repairs and maintenance	(21 719 243)	(85 857 116)	(60 846 267)	(259 581 904)	(1 906 631)	(429 911 161)
Contracted services	(142 709 057)	(12 327 329)	(130 314 823)	(80 631 048)	(15 766 858)	(381 749 115)
Grants and subsidies paid	(244 588)	-	(37 465 860)	(24 221 798)	(69 598 719)	(131 530 965)
General expenses	(82 904 732)	(15 889 289)	(261 726 541)	(242 376 545)	(22 261 321)	(625 158 428)
Net gain/(loss) on derecognition of assets	-	289 432 711	25 434 425	(613 633 741)	(297 219)	(299 063 824)
Fair value adjustments	-	-	307 489 401	-	-	307 489 401
Impairment loss	-	-	-	-	(52 608 336)	(52 608 336)
Share of surpluses or (deficits) from associates	-	-	42 275 674	-	-	42 275 674
Inventories losses/write-downs	-	-	(266 513)	(147 964 077)	-	(148 230 590)
Total segment expenditure	**(1 432 734 254)**	**(903 265 962)**	**(1 195 070 240)**	**(6 284 554 578)**	**(215 456 487)**	**(10 031 081 521)**
Total segmental surplus/(deficit)	**(767 401 535)**	**(535 765 423)**	**2 645 132 056**	**(1 211 831 080)**	**(141 093 858)**	**(10 959 840)**
Total Revenue as per Statement of Financial Performance						10 020 121 681
Total Expenditure as per Statement of Financial Performance						(9 880 943 845)
Other items as per Statement of Financial Performance						(150 137 676)
Controlling entity's (deficit) for the period						**(10 959 840)**

70. Segment information (continued)

Information about geographical areas

The municipality’s operations are in the Eastern Cape Province.

The reason for non-disclosure of geographical areas is because it is considered to be irrelevant for decision making purposes. The municipality's geographical areas of operation are considered as a single geographical area for decision making purposes.

71. Accounting by principals and agents

The municipality is party to principal-agent arrangements.

Details of the arrangements are as follows:

Department of Transport

BCMM entered in an agreement with the Department of Transport to collect licence and permit fees and in return BCMM pays these over to the Department of Transport with a 19% retention for BCMM.

The amount retained by BCMM ensures increased revenue collection and is redirected to service delivery.

There are private companies other than BCMM that also offer roadworthy testing of vehicles.
Vehicle licences can be renewed at the Post Office, Provincial Department of Transport and certain Banks offer the same services.

Government Technical Advisory Centre

BCMM has requested GTAC support services to assist with a series of projects detailed in the Memorandum of agreement over a period of five (5) years. GTAC will assist with project preparation and packaging for funding basis through appointing transactional advisors. The Cost of each project is entailed in the MOA and shall be paid in the new year. In this arrangement, GTAC is an agent of the municipality and the municipality is a Principal.

Housing Development Agency (HDA)

BCMM has entered into an agreement with Housing Development Agency as an agent to the construction of certain RDP projects as listed in the agreement. BCMM pays HDA on invoices received for such projects. Total amount paid to HDA during the 2025 financial year amounted to R86 495 152

Municipality as agent

Resources held on behalf of the principals, but recognised in the entity's own financial statements

No resources are held on behalf of the principals.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R21 002 430 (2024: R18 764 272).

Corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R385 609 180 (2024: R365 089 017) Refer to note 10, Accrued income.

Municipality as principal

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

BCMM received funding through National Treasury GBS funding for the Duncan Village Waste Buy Back Centre. BCMM entered into an agreement with BCMDA to implement the project and on completion, the asset is transferred to BCMM. In this agreement, no project management fees are charged to BCMM. Refer to note 49 Grant and subsidies paid and note 58 Related parties, for further details.

Notes to the Audited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2025	2024 *Restated	2025	2024 *Restated

71. Accounting by principals and agents (continued)

BCMDA is a development agency of the BCMM and has a responsibility to ensure economic development is achieved through its existence to expedite development of the City and participate in job creation through its mandate areas as approved by Council. Through the signed Service Delivery Agreement (SDA), the Agency was allocated recreational projects to implement on behalf of the City. In this arrangement, the BCMDA appointed contractors to commence with the construction at both Water World and Court Crescent. The City retains control of the assets are thus not recorded in BCMDA's accounting records rather the City. Invoices received from the contractors are recorded as expenditure in the Statement of Financial Performance and as liabilities in the statement of Financial Position. Refer to note 49, Grant and subsidies paid and note 58 Related parties for further details.

72. Cash flows from operating activities

	Note	Economic entity 2025	Economic entity 2024 *Restated	Controlling entity 2025	Controlling entity 2024 *Restated
Sale of goods and services					
Total revenue from Statement of Financial Performance		11 023 025 437	10 037 025 059	11 015 270 060	10 020 121 681
Less: Interest received (exchange)	31	(330 251 231)	(318 511 071)	(327 534 397)	(316 825 063)
Less: Interest received (non-exchange)	35	(123 854 204)	(111 040 240)	(123 854 204)	(111 040 240)
Add: Non cash interest on receivables		99 466 735	72 708 760	99 466 735	72 708 760
Less: Government grants and subsidies	36	(2 183 419 288)	(2 137 507 114)	(2 178 380 824)	(2 122 290 044)
Movement in receivables from exchange transactions	53	(1 516 732 784)	(831 971 782)	(1 517 703 402)	(825 510 106)
Movement in receivables from non-exchange transactions	53	(713 953 975)	(852 591 594)	(713 666 001)	(852 591 594)
		6 254 280 690	**5 858 112 018**	**6 253 597 967**	**5 864 573 394**
Government grants and subsidies					
Government grants and subsidies	36	2 183 419 288	2 137 507 114	2 178 380 824	2 122 290 044
Movement in unspent conditional grant	53	137 849 759	8 326 318	142 487 390	4 766 362
		2 321 269 047	**2 145 833 432**	**2 320 868 214**	**2 127 056 406**
Employee costs & Councillors remuneration					
Employee related costs	38	(2 795 223 282)	(2 740 422 464)	(2 768 590 282)	(2 696 701 705)
Councillors remuneration	39	(71 884 626)	(72 891 681)	(70 373 311)	(70 899 480)
Movement in post-retirement medical aid benefit obligation	53	90 402 000	62 542 000	90 402 000	62 542 000
Movement in bonus provision	20	(1 367 571)	6 550 738	(1 367 571)	6 466 054
		(2 778 073 479)	**(2 744 221 407)**	**(2 749 929 164)**	**(2 698 593 131)**
Suppliers and other payments					
Total expenditure as per the Statement of Financial Performance		(11 099 713 776)	(9 883 626 070)	(11 096 346 003)	(9 880 943 845)
Less: Employee related costs	38	2 795 223 282	2 740 422 464	2 768 590 282	2 696 701 705
Less: Councillors remuneration	39	71 884 626	72 891 681	70 373 311	70 899 480
Less: Finance costs	43	9 577 431	12 107 483	9 577 431	12 107 483
Less: Depreciation and amortisation	41	1 628 459 077	1 624 848 736	1 627 834 153	1 623 765 308
Less: Debt Impairment	45	1 987 595 727	1 291 454 455	1 987 595 727	1 291 454 455
Less: Finance costs - Finance leases		19 535	27 113	-	-
Movement in provisions relating to landfill sites	20	53 817 185	6 828 256	53 817 185	6 828 256
Movement in trade payables from exchange transactions	53	(144 961 982)	(72 884 148)	(140 191 699)	(77 017 937)
Movement in inventory	53	(182 796 080)	(166 770 823)	(182 796 079)	(166 770 824)
Movements in operating lease liability		(86 676)	63 342	-	-
Movement in other liabilities	53	19 999 104	18 786 613	19 999 104	18 786 612
Movement in consumer deposits	53	2 836 760	3 521 156	2 836 760	3 521 156
Non-cash adjustments	53	(93 558 254)	(66 990 684)	(93 558 311)	(68 282 726)
		(4 951 704 041)	**(4 419 320 426)**	**(4 972 268 139)**	**(4 468 950 877)**

73. Retirement contribution information

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- LA Retirement Fund
- Cape/Consolidated Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- Municipal Worker's Retirement Fund
- SALA Pension Fund
- Municipal Employees Pension Fund
- Municipal Councillors Pension Fund
- National Fund for Municipal Workers
- Aftredevoorsieningfonds vir Kaapse Plaaslike Owerhede
- East London Municipal A Band Provident Fund

The LA Retirement Fund's last actuarial valuation was at 30 June 2024 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was in a sound financial condition with a funding level of 106.1%.

The Consolidated Retirement Fund's last actuarial valuation was at 30 June 2024 conducted by S. Neethling from Momentum Consultants and Actuaries who certified that the fund was in a sound financial position.

The Eastern Cape Local Authorities Provident Fund's last valuation was at 30 June 2024 conducted by E. Du Toit from Alexander Forbes Financial Services, who confirmed that the fund was in a sound financial position. The funding level was at 100.8% at valuation date.

The Government Employees Pension Fund's last valuation was at 31 March 2024 conducted by AR. Pienaar of Alexander Forbes Financial Services who confirmed that the fund was in a sound financial condition.

Municipal Worker's Retirement Fund (previously known as SAMWU National Provident Fund) last actuarial valuation was at 30 June 2020 conducted by E.J. Potgieter and G. Base from Towers Watson (Pty) Ltd. The report stated that the fund was in a sound financial position as at 30 June 2020.

The SALA Pension Fund's last valuation was at 01 July 2021 conducted by J.F. Rosslee of ARGEN Actuarial Solutions. The fund was 85.5% funded as at the current valuation date. The valuator was satisfied with the investment strategy of the fund and the nature of the assets is in his opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund.

The Municipal Employees Pension Fund's last interim valuation was at 29 February 2020 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The report stated that the fund was financially sound for the purposes of the Pension Fund Act of 1956

The Municipal Councillors Pension Fund's last valuation was at 30 June 2021 prepared by Mothapo R. and Barnard G.M. from Moruba Consultants and Actuaries. The report stated that the funding level was at 100% at the time of valuation.

The National Fund for Municipal Worker's last Actuarial Valuation was at 30 June 2023 and prepared by G. Grobler from Alexander Forbes Financial Services who confirmed that the fund continues to be able to meet its liabilities. The funding level was 100%

The East London Municipal A Band and the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contributions funds. It is therefore not necessary to perform an actuarial valuation for these funds.

It is Council's policy to fund 60% of Pensioner's medical aid expenses. The current costs amount to approximately R26,1 million.

An amount of R468.2 million (2024: R439.8 million) was contributed by Council, Councillors' and employees' in respect of Councillor and employee retirement funding. These contributions have been expensed.

74. Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to family of an employee in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded in the declaration-of-interest form:

Connected person	Position held	Institution	2025	2024
N. Tyobosini	Security guard	BCMM	1 097 745	204 002
L. Boya	Communications Officer	BCMM	59 340	-
M. Mqikela	Skills development	BCMM	3 047 029	733 175
S. Mxesibe	Geomatics Technician	BCMM	1 838 563	1 075 883
C.F. Stoffels	Informal contract	BCMM	-	1 362 414
H.C. Prince	Administrative officer	BCMM	25 542	513 515
Z. Gqokoza	Equipment operator	BCMM	295 309	109 881
S. Sopazi	Staff accounts	BCMM	53 284	65 450
Z. Mkwanti	Artisan Assistant	BCMM	95 220	-
S. Xoki	Chief risk officer	BCMM	7 568 129	547 255
N. Pepani	Admin technician	BCMM	714 210	73 421
A. Fredericks	Senior meter reader	BCMM	-	238 511
Z. Ndzondo	Bid Secretariat	BCMM	5 507 382	191 130
A. Ceba	BCX Director	Transnet Group	26 040 791	32 374 239
M. Hadebe	Town planner	Ekurhuleni Municipality	608 615	-
L. Mbekeni	Employee	Government employee	13 305 906	2 226 609
K. Rantjie	Employee	Department of Transport	204 309	-
K. Farr	Teacher	EC Department of Education	4 242 302	3 960 827
M. Nomphelo	Tip attendant	Government employee	-	175 545
L.H. Siphathi	Deputy head Municipal courts	Government employee	-	22 500
D.M. Ntombiyakhe	General worker	Government employee	-	2 325
D.E. Nomase	Admin assistant	Government employee	-	4 965
M.M. Nonceba	HOD Development & Spatial Planning	Government employee	375 400	27 800
S. Felicia	General worker	Government employee	474 740	301 507
S.T. Luthando	Libraries	BCMM	-	274 479
J.S.P. Matsebula	Director	Technology Innovation Agency	817 260	925 939
K.P. Mfene	Admin clerk	SAPS	101 420	103 200
H. Nazir	Teacher	EC Education	1 035 167	1 304 626
N. Ndzondo	Bid Secretariat	BCMM	371 930	-
I.Z. Ratombo	IT service desk assistant	South African Post Office	9 250	-
L.G. Gcanga	Employee	National Health Laboratory Service	23 098	-
S. Buntu	Admin assistant	Transnet Property	13 200	-
V. Sisulu	Employee	Housing Development Agency	187 453	-
V. Zitumane	BCMDA Board member	BCMDA	3 636 345	3 103 793
			71 748 939	**49 922 991**

75. Change in estimate

Property, plant and equipment

During the 2024/25 financial year, the Municipality performed a condition assessment of certain infrastructure assets (incl roads, stormwater and water networks etc). The assessment revealed that the physical condition of these assets' service life has decreased faster or at a slower rate than anticipated. Consequently, the remaining useful lives were revised.

Asset class

Asset class	Previous RUL (Years)	Revised RUL (Years)	Impact on 2025 Depreciation	Expected annual change in future depreciation
Plant and equipment	4	7	2 074 250	2 074 250
Furniture and fixtures	4	5	1 731 334	1 731 334
Motor vehicles	7	7	1 796 892	1 796 892
Electricity infrastructure	17	27	(2 970 858)	(2 970 858)
Recreational facilities	11	16	1 586 710	1 586 710
Roads infrastructure	13	25	226 311 660	226 311 660
Wastewater network	20	28	4 198 025	4 198 025
Water network	21	23	(30 941 314)	(30 941 314)
Community buildings	11	16	8 233 310	8 233 310
Other property (halls, social housing)	19	24	6 022 519	6 022 519
			218 042 528	**218 042 528**