

BUFFALO CITY METROPOLITAN MUNICIPALITY
Audited Consolidated Annual Financial Statements for the year ended 30 June 2021



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Audited Consolidated Annual Financial Statements
for the year ended 30 June 2021

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Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

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, King William's Town, Berlin as well as the townships of Mdantsane, Gompo, Zwelitsha, Dimbaza, Phakamisa, Ndevana, Ilitha, Ginsberg and the surrounding rural areas.
Mayoral committee	
Executive Mayor	Councillor X.A. Pakati
Deputy Executive Mayor	Councillor H.E. Neale-May - IDP Organisational Performance Management
Councillors	Councillor N.M. Mhlola - Human Settlements Councillor P. Nazo-Makatala - Spatial Planning & Development Councillor S. Caga - Finance Councillor N.P. Peter - Municipal Services Councillor M. Vaaiboom - Economic Development & Agencies Councillor X. Witbooi - Institutional Operations and Civic Relations Councillor A.O. Mnyute - Health, Public Safety and Emergency Services Councillor B. Sauli - Corporate Services Councillor S.N. Toni - Infrastructure Services
Grading of local authority	Grade 6 Municipality
City Manager / Accounting Officer	Mr. A. Sihlahla
Chief Financial Officer (CFO)	Mr. N. Sigcau
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. S. Ngqwala (Chairperson) - appointment 04 September 2020 Ms. Y. Roboji (Member) - appointment 04 September 2020 Mr. S. Maharaj (Member) - appointment 04 September 2020 Mr. L. Ngqongwa (Member) - appointment 04 September 2020 Ms. L. Makaza-Hini (Member) - appointment 04 September 2020 Mr. T. Zororo (Member) - appointment 04 September 2020 Ms. T. Maqwati-Naku (Member) - appointment 04 September 2020

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General Information

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)

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

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BCMDA	Buffalo City Metropolitan Development Agency
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NERSA	National Energy Regulator of South Africa

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 entity 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 was 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 places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 loss.

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

Although the accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the economic entity's internal auditors.

The audited consolidated annual financial statements set out on pages 6 to 138, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2021.

Mr. A. Sihlahla
City Manager

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Assets					
Current Assets					
Inventories	10	37 026 311	34 468 918	36 978 342	34 408 212
Prepayments	11	97 604	-	-	-
Receivables from non-exchange transactions	12	785 494 088	680 143 007	785 494 088	680 143 007
Receivables from exchange transactions	13	1 581 450 804	1 183 825 044	1 581 274 043	1 183 764 334
Cash and cash equivalents	14	1 145 407 278	1 373 710 707	1 126 078 448	1 357 577 980
		3 549 476 085	3 272 147 676	3 529 824 921	3 255 893 533
Non-Current Assets					
Investment property	3	436 049 000	406 525 752	436 049 000	406 525 752
Property, plant and equipment	4	21 516 486 490	19 201 056 164	21 514 676 150	19 199 672 042
Intangible assets	5	12 774 516	14 974 783	11 735 783	13 563 427
Heritage assets	6	50 513 440	50 513 440	50 513 440	50 513 440
Investment in associates	7	676 448 508	703 076 035	676 448 508	703 076 035
		22 692 271 954	20 376 146 174	22 689 422 881	20 373 350 696
Total Assets		26 241 748 039	23 648 293 850	26 219 247 802	23 629 244 229
Liabilities					
Current Liabilities					
Borrowings	17	45 190 555	54 395 605	45 190 555	54 395 605
Operating lease liability	8	99 404	51 545	-	-
Trade payables from exchange transactions	20	1 270 153 888	1 232 539 962	1 272 137 569	1 230 695 566
VAT payable	21	15 021 047	50 791 873	15 723 735	51 289 939
Consumer deposits	22	74 226 105	70 143 449	74 226 105	70 143 449
Employee benefit obligation	9	25 599 000	50 982 000	25 599 000	50 982 000
Unspent conditional grants and receipts	16	262 146 402	531 506 569	259 994 837	527 613 203
Provisions	18	380 825 457	378 296 344	378 433 181	376 858 652
		2 073 261 858	2 368 707 347	2 071 304 982	2 361 978 414
Non-Current Liabilities					
Borrowings	17	187 994 372	233 184 927	187 994 372	233 184 927
Employee benefit obligation	9	761 616 000	633 835 000	761 616 000	633 835 000
Provisions	18	52 982 846	10 952 089	46 484 844	10 119 356
		1 002 593 218	877 972 016	996 095 216	877 139 283
Total Liabilities		3 075 855 076	3 246 679 363	3 067 400 198	3 239 117 697
Net Assets		23 165 892 963	20 401 614 487	23 151 847 604	20 390 126 532
Reserves					
Revaluation reserve	15	11 562 642 682	9 460 564 593	11 562 642 682	9 460 564 593
Accumulated surplus		11 603 250 281	10 941 049 894	11 589 204 922	10 929 561 939
Total Net Assets		23 165 892 963	20 401 614 487	23 151 847 604	20 390 126 532

* See Note 52

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	24	3 937 344 604	3 180 241 921	3 937 344 604	3 180 241 921
Rental of facilities and equipment	25	24 222 075	22 652 060	24 222 075	22 652 060
Other revenue - (exchange)	28	105 659 768	92 214 318	105 111 670	91 477 471
Interest received	29	120 512 057	152 991 231	120 023 921	152 471 611
Total revenue from exchange transactions		4 187 738 504	3 448 099 530	4 186 702 270	3 446 843 063
Revenue from non-exchange transactions					
Property rates	30	1 589 415 133	1 468 355 288	1 589 415 133	1 468 355 288
Licences and Permits (non-exchange)	26	12 411 425	12 587 412	12 411 425	12 587 412
Interest (non-exchange)	27	40 197 816	39 698 901	40 197 816	39 698 901
Government grants & subsidies	32	2 275 984 378	1 997 418 002	2 272 517 398	1 989 656 320
Other revenue - (non-exchange)	33	75 981 644	68 707 237	75 981 644	68 707 237
Public contributions and donations - PPE	23	10 035 999	-	10 035 999	-
Fines	23	16 659 092	10 863 546	16 659 092	10 863 546
Fuel levy	23	593 337 000	547 497 000	593 337 000	547 497 000
Total revenue from non-exchange transactions		4 614 022 487	4 145 127 386	4 610 555 507	4 137 365 704
Total revenue	23	8 801 760 991	7 593 226 916	8 797 257 777	7 584 208 767
Expenditure					
Employee related costs	34	(2 499 375 705)	(2 236 603 135)	(2 472 781 899)	(2 212 259 107)
Remuneration of councillors/directors	35	(65 749 669)	(66 322 743)	(63 813 409)	(64 687 499)
Depreciation and amortisation	36	(1 401 968 630)	(1 727 750 916)	(1 400 787 230)	(1 726 815 037)
Finance costs	37	(25 756 838)	(32 563 877)	(25 756 790)	(32 563 877)
Debt Impairment	38	(926 949 703)	(568 237 734)	(926 949 703)	(568 237 734)
Repairs and maintenance	42	(385 869 461)	(392 529 691)	(384 519 834)	(392 226 629)
Bulk purchases	39	(1 866 017 126)	(1 772 339 139)	(1 866 017 126)	(1 772 339 139)
Contracted services	40	(255 206 384)	(264 384 792)	(241 811 763)	(259 660 000)
Grants and subsidies paid	31	(61 999 323)	(91 468 857)	(104 708 255)	(130 821 364)
General expenses	41	(636 236 042)	(614 304 113)	(636 052 616)	(607 298 868)
Total expenditure		(8 125 128 881)	(7 766 504 997)	(8 123 198 625)	(7 766 909 254)
Operating surplus/(deficit)		676 632 110	(173 278 081)	674 059 152	(182 700 487)
(Loss) on disposal of assets	44	(16 625 064)	(6 906 562)	(16 622 245)	(6 955 468)
Fair value adjustments	43	29 523 248	(1 683 300)	29 523 248	(1 683 300)
Impairment loss		-	(51 531)	-	-
Share of (deficit)/surplus of associate accounted for under the equity method	7	(26 627 528)	105 683 740	(26 627 528)	105 683 740
Inventories losses/write-downs	10	(702 379)	(1 129 206)	(689 642)	(1 129 206)
		(14 431 723)	95 913 141	(14 416 167)	95 915 766
Surplus/(deficit) for the year		662 200 387	(77 364 940)	659 642 985	(86 784 721)

* See Note 52

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Economic entity			
Opening balance as previously reported	9 877 099 709	11 086 346 048	20 963 445 757
Adjustments			
Prior year adjustments (prior to 2019/20) Refer to note 52	10 492 555	(67 931 214)	(57 438 659)
Balance at 01 July 2019 as restated*	9 887 592 264	11 018 414 834	20 906 007 098
Changes in net assets			
Revaluation	(421 613 148)	-	(421 613 148)
Prior period error	(5 414 523)	-	(5 414 523)
Net income (losses) recognised directly in net assets	(427 027 671)	-	(427 027 671)
Surplus for the year	-	(77 364 940)	(77 364 940)
Total recognised income and expenses for the year	(427 027 671)	(77 364 940)	(504 392 611)
Total changes	(427 027 671)	(77 364 940)	(504 392 611)
Restated* Balance at 01 July 2020	9 460 564 593	10 941 049 894	20 401 614 487
Changes in net assets			
Surplus for the year	-	662 200 387	662 200 387
Revaluation	2 102 078 089	-	2 102 078 089
Total changes	2 102 078 089	662 200 387	2 764 278 476
Balance at 30 June 2021	11 562 642 682	11 603 250 281	23 165 892 963
Note(s)	15	52	
Controlling entity			
Opening balance as previously reported	9 877 099 709	11 084 277 874	20 961 377 583
Adjustments			
Prior year adjustments (prior to 2019/20) Refer to note 52	10 492 555	(67 931 214)	(57 438 659)
Balance at 01 July 2019 as restated*	9 887 592 264	11 016 346 660	20 903 938 924
Changes in net assets			
Revaluation	(421 613 148)	-	(421 613 148)
Prior period error	(5 414 523)	-	(5 414 523)
Net income (losses) recognised directly in net assets	(427 027 671)	-	(427 027 671)
Surplus for the year	-	(86 784 721)	(86 784 721)
Total recognised income and expenses for the year	(427 027 671)	(86 784 721)	(513 812 392)
Total changes	(427 027 671)	(86 784 721)	(513 812 392)
Restated* Balance at 01 July 2020	9 460 564 593	10 929 561 937	20 390 126 530
Changes in net assets			
Surplus for the year	-	659 642 985	659 642 985
Revaluation	2 102 078 089	-	2 102 078 089
Total changes	2 102 078 089	659 642 985	2 761 721 074
Balance at 30 June 2021	11 562 642 682	11 589 204 922	23 151 847 604
Note(s)	15	52	

* See Note 52

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services	69	4 903 452 151	4 718 992 493	4 903 224 724	4 718 161 062
Government grants & subsidies	69	2 275 984 378	1 997 418 002	2 272 517 398	1 989 656 320
Interest income	27&29	160 709 873	192 690 132	160 221 737	192 170 512
		<u>7 340 146 402</u>	<u>6 909 100 627</u>	<u>7 335 963 859</u>	<u>6 899 987 894</u>
Payments					
Employee costs & Councillors remuneration	34&35	(2 565 125 374)	(2 302 925 878)	(2 536 595 308)	(2 276 946 606)
Suppliers	69	(3 293 426 245)	(2 669 524 022)	(3 322 207 733)	(2 700 162 050)
Finance costs	37	(25 756 838)	(32 563 877)	(25 756 790)	(32 563 877)
		<u>(5 884 308 457)</u>	<u>(5 005 013 777)</u>	<u>(5 884 559 831)</u>	<u>(5 009 672 533)</u>
Net cash flows used in operating activities	47	<u>1 455 837 945</u>	<u>1 904 086 850</u>	<u>1 451 404 028</u>	<u>1 890 315 361</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 666 127 558)	(1 647 988 271)	(1 665 277 249)	(1 646 717 591)
Proceeds from sale of property, plant and equipment	4	36 769 293	10 373 262	36 769 294	10 324 006
Purchase of investment property	3	-	(6 015 752)	-	(6 015 752)
Purchase of other intangible assets	5	(387 504)	(404 741)	-	-
Net cash flows used in investing activities		<u>(1 629 745 769)</u>	<u>(1 644 035 502)</u>	<u>(1 628 507 955)</u>	<u>(1 642 409 337)</u>
Cash flows from financing activities					
Net movement on borrowings	17	(54 395 605)	(57 973 556)	(54 395 605)	(57 973 556)
Net cash flows used in financing activities		<u>(54 395 605)</u>	<u>(57 973 556)</u>	<u>(54 395 605)</u>	<u>(57 973 556)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(228 303 429)</u>	<u>202 077 792</u>	<u>(231 499 532)</u>	<u>189 932 468</u>
Cash and cash equivalents at the beginning of the year		1 373 710 707	1 171 632 915	1 357 577 980	1 167 645 512
Cash and cash equivalents at the end of the year	14	<u>1 145 407 278</u>	<u>1 373 710 707</u>	<u>1 126 078 448</u>	<u>1 357 577 980</u>

* See Note 52

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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
Economic entity - 2021											
Financial Performance											
Property rates	1 687 667 431	-	1 687 667 431	-	-	1 687 667 431	1 589 415 133	-	(98 252 298)	94 %	
Service charges	3 546 712 416	-	3 546 712 416	-	-	3 546 712 416	3 937 344 604	-	390 632 188	111 %	N1
Investment revenue	54 472 852	(8 370 642)	46 102 210	-	-	46 102 210	41 289 342	-	(4 812 868)	90 %	N2
Transfers recognised - operational	1 201 994 876	313 270 571	1 515 265 447	-	-	1 515 265 447	1 206 248 860	-	(309 016 587)	80 %	N3
Other own revenue	987 041 484	623 817	987 665 301	-	-	987 665 301	982 102 410	-	(5 562 891)	99 %	
Total revenue (excluding capital transfers and contributions)	7 477 889 059	305 523 746	7 783 412 805	-	-	7 783 412 805	7 756 400 349	-	(27 012 456)	100 %	
Employee costs	(2 354 464 971)	(151 765 985)	(2 506 230 956)	-	-	(2 506 230 956)	(2 501 193 333)	-	5 037 623	100 %	
Remuneration of councillors	(72 765 784)	8 950 000	(63 815 784)	-	-	(63 815 784)	(63 813 408)	-	2 376	100 %	
Debt impairment	(497 285 620)	(467 817 168)	(965 102 788)	-	-	(965 102 788)	(926 949 703)	-	38 153 085	96 %	
Depreciation and asset impairment	(866 132 983)	(1 115 246 161)	(1 981 379 144)	-	-	(1 981 379 144)	(1 401 968 630)	-	579 410 514	71 %	N4
Finance charges	(44 211 229)	18 441 000	(25 770 229)	-	-	(25 770 229)	(25 756 838)	-	13 391	100 %	
Materials and bulk purchases	(2 231 623 405)	187 680 312	(2 043 943 093)	-	-	(2 043 943 093)	(1 959 265 672)	-	84 677 421	96 %	
Transfers and grants	(115 660 671)	(9 206 987)	(124 867 658)	-	-	(124 867 658)	(61 999 323)	-	62 868 335	50 %	N5
Other expenditure	(1 295 145 725)	(220 474 738)	(1 515 620 463)	-	-	(1 515 620 463)	(1 206 397 044)	-	309 223 419	80 %	N6
Total expenditure	(7 477 290 388)	(1 749 439 727)	(9 226 730 115)	-	-	(9 226 730 115)	(8 147 343 951)	-	1 079 386 164	88 %	
Surplus/(Deficit)	598 671	(1 443 915 981)	(1 443 317 310)	-	-	(1 443 317 310)	(390 943 602)	-	1 052 373 708	27 %	

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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. Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Transfers recognised - capital	808 679 169	291 855 544	1 100 534 713	-		1 100 534 713	1 069 735 518	(30 799 195)	97 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	10 035 999	10 035 999		N7
Surplus (Deficit) after capital transfers and contributions	809 277 840	(1 152 060 437)	(342 782 597)	-		(342 782 597)	688 827 915	1 031 610 512	(201)%	
Share of surplus (deficit) of associate	-	-	-	-		-	(26 627 528)	(26 627 528)		N8
Surplus/(Deficit) for the year	809 277 840	(1 152 060 437)	(342 782 597)	-		(342 782 597)	662 200 387	1 004 982 984	(193)%	

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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	806 419 169	292 137 435	1 098 556 604	-		1 098 556 604	970 986 091		(127 570 513)	88 %	N9
Borrowing	230 800 142	-	230 800 142	-		230 800 142	3 079 040		(227 721 102)	1 %	N10
Internally generated funds	622 769 286	237 619 419	860 388 705	-		860 388 705	617 287 192		(243 101 513)	72 %	N11
Total sources of capital funds	1 659 988 597	529 756 854	2 189 745 451	-		2 189 745 451	1 591 352 323		(598 393 128)	73 %	
Financial position											
Total current assets	2 698 068 766	(556 361 299)	2 141 707 467	-		2 141 707 467	3 549 476 085		1 407 768 618	166 %	N12
Total non current assets	22 541 460 604	514 940 868	23 056 401 472	-		23 056 401 472	22 692 271 954		(364 129 518)	98 %	
Total current liabilities	(1 779 220 684)	46 845 708	(1 732 374 976)	-		(1 732 374 976)	(2 073 261 858)		(340 886 882)	120 %	N13
Total non current liabilities	(1 088 289 259)	-	(1 088 289 259)	-		(1 088 289 259)	(1 002 593 218)		85 696 041	92 %	
Community wealth/Equity	22 372 019 427	5 425 277	22 377 444 704	-		22 377 444 704	23 165 892 963		788 448 259	104 %	

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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	1 581 822 471	453 480 291	2 035 302 762	-		2 035 302 762	1 455 837 945		(579 464 817)	72 %	N14
Net cash from (used) investing	(1 659 988 597)	(529 756 854)	(2 189 745 451)	-		(2 189 745 451)	(1 629 745 769)		559 999 682	74 %	N15
Net cash from (used) financing	175 136 577	(4 000)	175 132 577	-		175 132 577	(54 395 605)		(229 528 182)	(31)%	N16
Net increase/(decrease) in cash and cash equivalents	96 970 451	(76 280 563)	20 689 888	-		20 689 888	(228 303 429)		(248 993 317)	(1 103)%	
Cash and cash equivalents at the beginning of the year	1 003 133 577	1 469 300	1 004 602 877	-		1 004 602 877	1 373 710 707		369 107 830	137 %	N17
Cash and cash equivalents at year end	1 100 104 028	(74 811 263)	1 025 292 765	-		1 025 292 765	1 145 407 278		120 114 513	112 %	N18

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

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.Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Controlling entity - 2021										
Financial Performance										
Property rates	1 687 667 431	-	1 687 667 431	-		1 589 415 133		(98 252 298)	94 %	
Service charges	3 546 712 416	-	3 546 712 416	-		3 937 344 604		390 632 188	111 %	N1
Investment revenue	53 618 514	(8 000 000)	45 618 514	-		40 801 207		(4 817 307)	89 %	N2
Transfers recognised - operational	1 113 680 682	255 299 315	1 368 979 997	-		1 202 781 880		(166 198 117)	88 %	N3
Other own revenue	971 737 969	8 000 000	979 737 969	-		981 554 319		1 816 350	100 %	
Total revenue (excluding capital transfers and contributions)	7 373 417 012	255 299 315	7 628 716 327	-		7 628 716 327		123 180 816	102 %	
Employee costs	(2 326 576 413)	(150 596 035)	(2 477 172 448)	-		(2 472 781 899)		4 390 549	100 %	
Remuneration of councillors	(72 765 784)	8 950 000	(63 815 784)	-		(63 813 409)		2 375	100 %	
Debt impairment	(497 285 620)	(467 817 168)	(965 102 788)			(926 949 703)		38 153 085	96 %	
Depreciation and asset impairment	(864 836 204)	(1 115 163 796)	(1 980 000 000)			(1 400 787 230)		579 212 770	71 %	N4
Finance charges	(44 207 069)	18 441 000	(25 766 069)	-		(25 756 790)		9 279	100 %	
Materials and bulk purchases	(2 183 646 463)	139 703 370	(2 043 943 093)	-		(1 959 265 672)		84 677 421	96 %	
Transfers and grants	(115 660 671)	(9 206 987)	(124 867 658)	-		(104 708 255)		20 159 403	84 %	N5
Other expenditure	(1 267 840 117)	(123 525 680)	(1 391 365 797)	-		(1 191 335 189)		200 030 608	86 %	N6
Total expenditure	(7 372 818 341)	(1 699 215 296)	(9 072 033 637)	-		(8 145 398 147)		926 635 490	90 %	
Surplus/(Deficit)	598 671	(1 443 915 981)	(1 443 317 310)	-		(393 501 004)		1 049 816 306	27 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

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	806 419 169	292 137 435	1 098 556 604	-		1 098 556 604	1 069 735 518		(28 821 086)	97 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	10 035 999		10 035 999	- %	N7
Surplus (Deficit) after capital transfers and contributions	807 017 840	(1 151 778 546)	(344 760 706)	-		(344 760 706)	686 270 513		1 031 031 219	(199)%	
Share of surplus/(deficit) of associate	-	-	-	-		-	(26 627 528)		(26 627 528)	- %	N8
Surplus/(Deficit) for the year	807 017 840	(1 151 778 546)	(344 760 706)	-		(344 760 706)	659 642 985		1 004 403 691	(191)%	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

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	806 419 169	292 137 435	1 098 556 604	-		1 098 556 604	970 986 091		(127 570 513)	88 %	N9
Borrowing	230 800 142	-	230 800 142	-		230 800 142	3 079 040		(227 721 102)	1 %	N10
Internally generated funds	620 509 286	237 901 310	858 410 596	-		858 410 596	616 049 379		(242 361 217)	72 %	N11
Total sources of capital funds	1 657 728 597	530 038 745	2 187 767 342	-		2 187 767 342	1 590 114 510		(597 652 832)	73 %	
Financial position											
Total current assets	2 695 187 565	(556 475 195)	2 138 712 370	-		2 138 712 370	3 529 824 921		1 391 112 551	165 %	N12
Total non current assets	22 538 017 604	515 472 541	23 053 490 145	-		23 053 490 145	22 689 422 881		(364 067 264)	98 %	
Total current liabilities	(1 774 043 422)	46 732 272	(1 727 311 150)	-		(1 727 311 150)	(2 071 304 982)		(343 993 832)	120 %	N13
Total non current liabilities	(1 088 289 259)	-	(1 088 289 259)	-		(1 088 289 259)	(996 095 216)		92 194 043	92 %	
Community wealth/Equity	22 370 872 488	5 729 618	22 376 602 106	-		22 376 602 106	23 151 847 604		775 245 498	103 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

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	1 579 558 471	452 380 522	2 031 938 993	-		2 031 938 993	1 451 404 028		(580 534 965)	71 %	N14
Net cash from (used) investing	(1 657 728 597)	(530 038 745)	(2 187 767 342)	-		(2 187 767 342)	(1 628 507 955)		559 259 387	74 %	N15
Net cash from (used) financing	176 404 537	-	176 404 537	-		176 404 537	(54 395 605)		(230 800 142)	(31)%	N16
Net increase/(decrease) in cash and cash equivalents	98 234 411	(77 658 223)	20 576 188	-		20 576 188	(231 499 532)		(252 075 720)	(1 125)%	
Cash and cash equivalents at the beginning of the year	1 003 133 577	-	1 003 133 577	-		1 003 133 577	1 357 577 980		354 444 403	135 %	N17
Cash and cash equivalents at year end	1 101 367 988	(77 658 223)	1 023 709 765	-		1 023 709 765	1 126 078 448		(102 368 683)	110 %	N18

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Reasons for material variances shown on the Statement of Comparison of Budget and Actual Amounts are detailed below:

N1 - The contributing factor to the variance is water service which is a result of the implementation of punitive tariffs for the full financial year 2020/2021. The consumption patterns on the punitive component reflected an increase over the estimated budget resulting in increased billing and revenue.

N2 - Interest rate on call investments and bank is less due to decline in repo rate and thus interest earned on these investments and bank accounts. The decline in collection rate has also contributed on available cash for investment and funds held in bank accounts.

N3 - The variance is caused by revenue of R71 million for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

N4 - The variance is as a result of the negative revaluation adjustment factor from 2020 due to the impact caused by lockdown level 5, this factor reduced asset base for 2021 hence the reduction in depreciation.

N5 - This variance is a result of budget allocation to the BCMDA Waste Buy Back Centre, to which only R2.6 million was transferred to BCMDA due to the Donor funder (National Treasury GBS allocation) withholding the transfers to BCMM on the basis of slow expenditure on the project.

N6 - The variance is caused by the following:

Expenditure of R71 million for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

BCMDA: Contractors invoices that were not received as anticipated; delay in the implementation of procurement in certain project related items. COVID-19 also had an impact as suppliers took longer to deliver items procured.

N7 - Road Traffic Management Corporation donated specialised and fully equipped traffic vehicles to the City to assist with Traffic Law Enforcement.

N8 - The variance is a result of loss made by the associate (IDZ) during the financial year. BCMM owns 26 percent of IDZ and IDZ reported a huge loss in their 2020/21 audited financial statement.

N9 - The variance is a result of reclaimed vat; the actuals reported are vat exclusive.

N10 - BCMM had initially budgeted for the loan funding of the Reeston Tunnel project, however due to delays in finalizing the financing contractual arrangements, this in turn affected the finalization of the project tender process timeously.

N11 - COVID-19 lockdown restrictions have negatively affected performance on projects as it delayed and disrupted implementation of projects; however, most of the projects are already awarded and the funding of such projects is fully committed.

N12 - The significant increase relating to current assets is a result of the implementation of punitive tariffs for water services for the full financial year 2020/2021. The consumption patterns on the punitive component reflected an increase over the estimated budget resulting in increased billing and revenue.

N13 - The increase is a result of year end accruals that were processed at the end of the year which were significantly higher than the previous years.

N14 - Contracted services expenditure did not realise the budget for the item which was the major contributing factor for the variance realised between actual outcome as a percentage of the final budget.

N15 - COVID-19 lockdown restrictions have negatively affected performance on projects as it delayed and disrupted implementation of projects; however, most of the projects are already awarded and the funding of such projects is fully committed. Projects that are funded by borrowings are still at procurement stage.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

N16 - BCMM did not make any draw downs on new loans acquired hence the capital portion of the outstanding loan continues to reduce over time. The City also continues to benefit from the reduced lending rate, wherein interest payment is reduced by the lending rate and decrease in Capital repayments.

N17 - The variance on the cash and cash equivalent opening balance is because of R223 million of unspent Urban Settlement Development Grant (USDG) funding which the Parent municipality applied for a rollover to National Treasury. These funds were subsequently approved and spent in the current year.

N18 - The variance on cash and cash equivalent closing balance emanates from the insufficient budget provision by the entity wherein the final budget accommodates for R1.5 million and actuals are sitting at R19 million.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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 management 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 for stock 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 10.

Fair value estimation

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

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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The entity 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.

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 18 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The economic entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The economic entity has in accordance with paragraph 8 of Directive 5, GRAP Reporting Framework, adopted International Financial Reporting Standards (IFRS) IAS 12- Income Taxes. This is as a result of the absence of a GRAP standard dealing with taxation.

The economic entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the economic entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the economic entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives of waste and water network and other assets

The entity'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.

Post-retirement benefits

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

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 post-retirement obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

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.

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

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

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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Investment property (continued)

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

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

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

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.

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

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

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

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

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Property, plant and equipment (continued)

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
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 are accounted for under motor vehicles, due to the nature of their use.

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

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

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Property, plant and equipment (continued)

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 entity 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 entity.

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 entity 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 an entity 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 entity 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 entity 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.

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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	Depreciation 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 an 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.

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Accounting Policies

1.7 Heritage assets (continued)

Recognition

The entity 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 entity, and the cost or fair value of the asset can be measured reliably.

If a entity 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 entity assesses at each reporting date whether there is an indication that a heritage assets may be impaired. If any such indication exists, the entity 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.

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Accounting Policies

1.8 Interests in other entities

Investment in associates

An associate is an entity over which the entity 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 entity 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 entity is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

The entity 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 entity 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 entity 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 entity 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 entity.

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 entity as investor's share of the surplus or deficit of the investee after the date of acquisition. The entity as investor's share of the investee's surplus or deficit is recognised in the entity 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 entity 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 entity as investor's share of those changes is recognised in net assets of the entity 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 entity 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.

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

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Accounting Policies

1.9 Financial instruments (continued)

- 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 19:

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 entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position and in note 19:

Class	Category
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Accrued leave pay	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Other deposits	Financial liability measured at fair value

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Accounting Policies

1.9 Financial instruments (continued)

Initial recognition

The entity 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 entity 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 entity 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 entity 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.

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

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

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

Gains and losses

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

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit

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Accounting Policies

1.9 Financial instruments (continued)

when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR 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 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 entity derecognises financial assets (or part of a financial assets) 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 entity 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 entity 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 entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

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

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Accounting Policies

1.10 Statutory receivables (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The economic entity recognises statutory receivables as follows:

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

Transitional provision

The entity took advantage of the transitional provision granted in Directive 3 of the GRAP Reporting Framework. Refer to note 1.36 for more details in this regard.

1.11 Leases

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

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

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

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Accounting Policies

1.12 Inventories (continued)

- 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.

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.

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

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 oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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.

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Accounting Policies

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

Redesignation

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

1.14 Employee benefits

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

The entity provides short term benefits, long term benefits and retirement benefits for its employees.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Refer to note 66;

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:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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 (deficit).

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

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Accounting Policies

1.16 Commitments

Items are classified as commitments when the entity 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 entity 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 49)

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

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

Measurement

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

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.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 entity 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 entity, 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 entity, which represents an increase in net assets, other than increases relating to contributions from owners.

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

Control of an asset arise when the entity 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.

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

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

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Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

Taxes such as property rates are economic benefits or service potential compulsorily paid or payable to the entity, 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 entity 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 entity.

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

Taxes (Property rates)

The entity recognises an asset in respect of taxes at the gross amount when the taxable event occurs and the asset recognition criteria are met.

Transfers

The entity 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 entity recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability.

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

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines

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

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

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

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 an entity in connection with the borrowing of funds.

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

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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Accounting Policies

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 entity 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 it 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 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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.

1.24 Fruitless and wasteful expenditure

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

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Accounting Policies

1.24 Fruitless and wasteful expenditure (continued)

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

1.25 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.

1.26 Revaluation reserve

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

1.27 Off-setting

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

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity 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.

1.29 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.

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 2020/07/01 to 2021/06/30.

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Accounting Policies

1.29 Budget information (continued)

The budget for the economic entity 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.

1.30 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 entity. (Refer to note 51)

1.31 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.

1.32 Value added tax (VAT)

The entity 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 21)

1.33 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.

1.34 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.

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1.35 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the audited consolidated annual financial statements.

A living resource is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity, and the cost or fair value of the asset can be measured reliably.

Where the economic entity is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the audited consolidated annual financial statements.

Where the economic entity holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the audited consolidated annual financial statements. When the information about the cost or fair value of the living resource becomes available, the economic entity recognise, from that date, the living resource and apply the measurement principles.

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised. Refer to note 1.36 for more details in this regard.

Transitional provision

The entity took advantage of the transitional provision granted in Directive 3 of the GRAP Reporting Framework. Refer to note 1.36 for more details in this regard.

1.36 Transitional provisions

Transitional provision for Statutory Receivables

The economic entity changed its relating accounting policy in 2020. The change in accounting policy is made in accordance with its transitional provision as per Directive 5 of the GRAP Reporting Framework.

Until such time as the transitional period expires and relating items are classified and measured in accordance with the requirements of the associated Standard of GRAP, the entity need not comply with the relating requirements of the Standards of GRAP on:

- Statutory Receivables (GRAP 108)

The entity will comply with the disclosure requirement of GRAP 108, as and when statutory receivable are classified and measured in accordance with the Standard of GRAP.

Refer to note 59 for additional disclosure in this regard.

Due to initial adoption of the GRAP standard

According to the transitional provision, the entity is not required to change its accounting policy in respect of the classification and measurement of Statutory Receivables for the reporting periods beginning on a date within 3 years following the date of initial adoption of the specific Standard of GRAP (GRAP 108). The transitional provision expires on 2022/06/30.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.36 Transitional provisions (continued)

Transitional provision for Living-and-Non-living Resources

The economic entity changed its relating accounting policy in 2021. The change in accounting policy is made in accordance with its transitional provision as per Directive 5 of the GRAP Reporting Framework.

Until such time as the transitional period expires and relating items are recognised and measured in accordance with the requirements of the associated Standard of GRAP, the economic entity need not comply with the Standards of GRAP on:

- Living-and-Non-living Resources (GRAP 110)

The entity will comply with the disclosure requirement of GRAP 110, as and when Living-and-Non-living Resources are classified and measured in accordance with the Standard of GRAP.

Due to initial adoption of the GRAP standard

According to the transitional provision, the entity is not required to change its accounting policy in respect of the classification and measurement of Living-and-Non-living Resources for the reporting periods beginning on a date within 3 years following the date of initial adoption of the specific Standard of GRAP (GRAP 110). The transitional provision expires on 2023/06/30.

Living-and-Non-living Resources is currently accounted for under GRAP 17 Property, plant and equipment.

1.37 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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

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 mandatory for the economic entity's accounting periods beginning on or after 01 July 2021 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

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

It is unlikely that the standard will have a material impact on the economic entity's audited consolidated annual financial statements.

GRAP 25 (as revised 2021): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of these revisions have not yet been set.

It is unlikely that the revisions will have a material impact on the economic entity's audited consolidated annual financial statements.

iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14@) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (iGRAP 7).

The effective date of these revisions have not yet been set.

It is unlikely that the revisions will have a material impact on the economic entity's audited consolidated annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

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

It is unlikely that the standard will have a material impact on the economic entity's audited consolidated annual financial statements.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 (amended): 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 amendment is not yet set by the Minister of Finance.

It is unlikely that the standard will have a material impact on the economic entity's audited consolidated annual financial statements.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	436 049 000	-	436 049 000	406 525 752	-	406 525 752

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	436 049 000	-	436 049 000	406 525 752	-	406 525 752

Reconciliation of investment property - Economic entity - 2021

	Opening balance	Fair value adjustments	Total
Investment property	406 525 752	29 523 248	436 049 000

Reconciliation of investment property - Economic entity - 2020

	Opening balance	Additions	Derecognitions	Fair value adjustments	Total
Investment property	402 532 000	6 015 752	(338 700)	(1 683 300)	406 525 752

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2021

	Opening balance	Fair value adjustments	Total
Investment property	406 525 752	29 523 248	436 049 000

Reconciliation of investment property - Controlling entity - 2020

	Opening balance	Acquisitions	Derecognition	Fair value adjustments	Total
Investment property	402 532 000	6 015 752	(338 700)	(1 683 300)	406 525 752

Proceeds on disposal of investment property

		2021	2020	2021	2020
Carrying value of investment property		-	338 700	-	338 700
Net loss on disposal of investment property	44	-	(338 700)	-	(338 700)
		-	-	-	-

A register containing the information required by is available for inspection at the registered office of the entity.

No Investment Properties are pledged as a security and there are no restrictions on all the Investment Properties.

The total direct operating expenses for repairs and maintenance on all municipal properties amounts to R384 519 834, (2020 : R392 226 629) including repairs and maintenance expenses on investment properties. Refer to repairs and maintenance note 42 and commitments note 49.

Operational expenditure regarding investment property earning rentals and those that are not earning rentals are not available as these expenses pertaining to investment properties are not budgeted for separately on the budget.

Per accounting policy Note 1.3 the entity is on the fair value (FV) model of measuring Investment Property.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

3. Investment property (continued)

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

The values were determined jointly by an external property valuer, through the update of the Investment Property. All the properties were individually valued by the Property Valuers and assumptions used are detailed per each property.

Registration details of internal and external valuers involved in the valuation were as follows;
Letlaka Ndamase, Professional Valuer (5435/7)

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.

Rental income from investment properties in respect of monthly and annual leases amounted to R16 031 184, (2020 : R14 297 377).

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	81 658 476	-	81 658 476	81 658 476	-	81 658 476
Plant and machinery	145 987 560	(100 295 665)	45 691 895	128 212 280	(89 859 241)	38 353 039
Furniture and fixtures	279 686 979	(155 992 014)	123 694 965	244 449 650	(129 004 056)	115 445 594
Motor vehicles	646 489 777	(322 402 217)	324 087 560	607 657 933	(279 024 454)	328 633 479
IT equipment	1 347 664	(734 518)	613 146	761 509	(568 597)	192 912
Electricity infrastructure	11 867 503 802	(7 964 409 285)	3 903 094 517	10 676 496 124	(7 150 069 197)	3 526 426 927
Other property (halls, social housing)	2 104 302 023	(998 232 504)	1 106 069 519	1 941 669 624	(907 271 689)	1 034 397 935
Work in progress (WIP)	4 565 464 189	-	4 565 464 189	3 708 837 019	-	3 708 837 019
Recreational facilities	849 941 718	(596 077 601)	253 864 117	814 454 911	(565 763 569)	248 691 342
Roads	14 444 607 393	(9 077 410 212)	5 367 197 181	13 306 422 867	(8 516 210 881)	4 790 211 986
Wastewater network	5 341 689 447	(3 431 438 446)	1 910 251 001	4 859 027 779	(3 085 811 283)	1 773 216 496
Water network	7 360 743 966	(4 544 397 442)	2 816 346 524	6 688 175 017	(4 089 158 864)	2 599 016 153
Community buildings	2 306 847 329	(1 288 393 929)	1 018 453 400	2 112 561 744	(1 156 586 938)	955 974 806
Total	49 996 270 323	(28 479 783 833)	21 516 486 490	45 170 384 933	(25 969 328 769)	19 201 056 164

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Controlling entity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	81 658 476	-	81 658 476	81 658 476	-	81 658 476
Plant and machinery	145 987 560	(100 295 665)	45 691 895	128 212 280	(89 859 241)	38 353 039
Furniture and fixtures	278 145 164	(155 647 393)	122 497 771	243 141 338	(128 886 954)	114 254 384
Motor vehicles	646 489 777	(322 402 217)	324 087 560	607 657 933	(279 024 454)	328 633 479
Electricity infrastructure	11 867 503 802	(7 964 409 285)	3 903 094 517	10 676 496 124	(7 150 069 197)	3 526 426 927
Other property (halls, social housing)	2 104 302 023	(998 232 504)	1 106 069 519	1 941 669 624	(907 271 689)	1 034 397 935
Work in progress (WIP)	4 565 464 189	-	4 565 464 189	3 708 837 019	-	3 708 837 019
Recreational facilities	849 941 718	(596 077 601)	253 864 117	814 454 911	(565 763 569)	248 691 342
Roads	14 444 607 393	(9 077 410 212)	5 367 197 181	13 306 422 867	(8 516 210 881)	4 790 211 986
Wastewater network	5 341 689 447	(3 431 438 446)	1 910 251 001	4 859 027 779	(3 085 811 283)	1 773 216 496
Water network	7 360 743 966	(4 544 397 442)	2 816 346 524	6 688 175 017	(4 089 158 864)	2 599 016 153
Community buildings	2 306 847 329	(1 288 393 929)	1 018 453 400	2 112 561 744	(1 156 586 938)	955 974 806
Total	49 993 380 844	(28 478 704 694)	21 514 676 150	45 168 315 112	(25 968 643 070)	19 199 672 042

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

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 - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	81 658 476	-	-	-	-	81 658 476
Plant and machinery	38 353 039	17 847 117	(12 914)	4 224	(10 499 571)	45 691 895
Furniture and fixtures	115 445 594	38 990 967	(249 508)	99 756	(30 591 844)	123 694 965
Motor vehicles	328 633 479	75 350 306	(12 021 137)	-	(67 875 088)	324 087 560
IT equipment	192 912	611 655	(2 238)	-	(189 183)	613 146
Electricity infrastructure	3 526 426 927	212 681 040	(1 045 786)	418 309 319	(253 276 983)	3 903 094 517
Other property (halls, social housing)	1 034 397 935	80 048 683	(31 958 906)	82 538 342	(58 956 535)	1 106 069 519
Work in progress (WIP)	3 708 837 019	856 627 170	-	-	-	4 565 464 189
Recreational facilities	248 691 342	5 054 295	(8 103 868)	38 537 980	(30 315 632)	253 864 117
Roads	4 790 211 986	291 276 632	-	850 628 225	(564 919 662)	5 367 197 181
Wastewater network	1 773 216 496	26 809 733	-	212 539 735	(102 314 963)	1 910 251 001
Water network	2 599 016 153	41 998 835	-	371 792 098	(196 460 562)	2 816 346 524
Community buildings	955 974 806	18 831 125	-	127 628 303	(83 980 834)	1 018 453 400
	19 201 056 164	1 666 127 558	(53 394 357)	2 102 077 982	(1 399 380 857)	21 516 486 490

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

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 - 2020

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	81 658 476	-	-	-	-	81 658 476
Plant and machinery	45 562 033	6 039 908	-	-	(13 248 902)	38 353 039
Furniture and fixtures	92 759 036	49 911 996	-	(20 802)	(27 204 636)	115 445 594
Motor vehicles	357 851 046	40 109 650	(4 960 257)	-	(64 366 960)	328 633 479
IT equipment	235 731	76 241	(350)	-	(118 710)	192 912
Electricity infrastructure	3 880 870 061	159 171 697	-	(225 073 196)	(288 541 635)	3 526 426 927
Other property (halls, social housing)	951 555 365	176 504 231	-	(17 964 366)	(75 697 295)	1 034 397 935
Work in progress (WIP)	3 362 887 211	356 273 815	(10 324 007)	-	-	3 708 837 019
Recreational facilities	314 768 100	7 222 501	-	(31 737 760)	(41 561 499)	248 691 342
Roads	4 989 135 506	426 614 983	-	123 342 901	(748 881 404)	4 790 211 986
Wastewater network	1 777 470 985	129 677 348	-	(18 816 150)	(115 115 687)	1 773 216 496
Water network	2 774 034 126	252 588 632	-	(181 131 675)	(246 474 930)	2 599 016 153
Community buildings	1 090 718 260	43 797 269	(1 656 510)	(75 626 623)	(101 257 590)	955 974 806
	19 719 505 936	1 647 988 271	(16 941 124)	(427 027 671)	(1 722 469 248)	19 201 056 164

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Notes to the Audited Consolidated Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	81 658 476	-	-	-	-	81 658 476
Plant and machinery	38 353 039	17 847 117	(12 914)	4 224	(10 499 571)	45 691 895
Furniture and fixtures	114 254 384	38 752 313	(248 928)	99 756	(30 359 754)	122 497 771
Motor vehicles	328 633 479	75 350 306	(12 021 137)	-	(67 875 088)	324 087 560
Electricity infrastructure	3 526 426 927	212 681 040	(1 045 786)	418 309 319	(253 276 983)	3 903 094 517
Other properties (halls, social housing)	1 034 397 935	80 048 683	(31 958 906)	82 538 342	(58 956 535)	1 106 069 519
Work in progress (WIP)	3 708 837 019	856 627 170	-	-	-	4 565 464 189
Recreational facilities	248 691 342	5 054 295	(8 103 868)	38 537 980	(30 315 632)	253 864 117
Roads	4 790 211 986	291 276 632	-	850 628 225	(564 919 662)	5 367 197 181
Wastewater network	1 773 216 496	26 809 733	-	212 539 735	(102 314 963)	1 910 251 001
Water network	2 599 016 153	41 998 835	-	371 792 098	(196 460 562)	2 816 346 524
Community buildings	955 974 806	18 831 125	-	127 628 303	(83 980 834)	1 018 453 400
	19 199 672 042	1 665 277 249	(53 391 539)	2 102 077 982	(1 398 959 584)	21 514 676 150

BUFFALO CITY METROPOLITAN MUNICIPALITY

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	81 658 476	-	-	-	-	81 658 476
Plant and machinery	45 562 033	6 039 908	-	-	(13 248 902)	38 353 039
Furniture and fixtures	92 687 132	48 717 557	-	(20 802)	(27 129 503)	114 254 384
Motor vehicles	357 851 046	40 109 650	(4 960 257)	-	(64 366 960)	328 633 479
Electricity infrastructure	3 880 870 061	159 171 697	-	(225 073 196)	(288 541 635)	3 526 426 927
Other properties (halls, social housing)	951 555 365	176 504 231	-	(17 964 366)	(75 697 295)	1 034 397 935
Work in progress (WIP)	3 362 887 211	356 273 815	(10 324 007)	-	-	3 708 837 019
Recreational facilities	314 768 100	7 222 501	-	(31 737 760)	(41 561 499)	248 691 342
Roads	4 989 135 506	426 614 983	-	123 342 901	(748 881 404)	4 790 211 986
Wastewater network	1 777 470 985	129 677 348	-	(18 816 150)	(115 115 687)	1 773 216 496
Water network	2 774 034 126	252 588 632	-	(181 131 675)	(246 474 930)	2 599 016 153
Community buildings	1 090 718 260	43 797 269	(1 656 510)	(75 626 623)	(101 257 590)	955 974 806
	19 719 198 301	1 646 717 591	(16 940 774)	(427 027 671)	(1 722 275 405)	19 199 672 042

Proceeds on disposal of PPE

	2021	2020	2021	2020
Carrying value of PPE	53 394 357	16 941 124	53 391 539	16 940 774
Net loss on disposal of assets	44	(16 625 064)	(6 567 862)	(16 622 245)
	36 769 293	10 373 262	36 769 294	10 324 006

There are properties for which title 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 42.

Refer to note 49 for committed expenditure.

The values were determined as 30 June 2021 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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Consolidated Annual Financial Statements

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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, surity arrangements and/or under finance lease where the City is the lessor.

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

	2021	2020	2021	2020
Buildings	966 167 746	754 646 134	966 167 746	754 646 134
Community facilities	330 381 617	231 111 317	330 381 617	231 111 317
Electricity	74 339 017	163 313 966	74 339 017	163 313 966
Other assets	102 563 141	37 379 259	102 563 141	37 379 259
Roads	1 702 736 466	1 432 349 805	1 702 736 466	1 432 349 805
Sanitation	786 842 911	634 950 455	786 842 911	634 950 455
Water supply	602 433 291	455 086 082	602 433 291	455 086 082
	4 565 464 189	3 708 837 018	4 565 464 189	3 708 837 018

The carrying values of all the projects that are taking significantly longer to complete as shown above are included in PPE Note 4 and under WIP. There has been no impairment loss that has been incurred by the City.

Contract	Delay period	Reasons
BCMM/COO/HM/1328/2013	60 months	Contractor terminated
BCC/DES/COO/HM/1110/2010	60 months	Contractor terminated
BCMM/COO/HM/1300/2013	62 months	Beneficiary delays and approvals
BCMM/COO/HM/1315/2013	54 months	Invasions and community protests

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 entity.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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5. Intangible assets

Economic entity	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	46 890 111	(34 115 595)	12 774 516	38 811 568	(23 836 785)	14 974 783

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	42 487 815	(30 752 032)	11 735 783	34 796 776	(21 233 349)	13 563 427

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Additions	Amortisation	Total
Software	14 974 783	387 504	(2 587 771)	12 774 516

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Amortisation	Impairment loss	Total
Software	19 903 241	404 741	(5 281 668)	(51 531)	14 974 783

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5. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Amortisation	Total
Software	13 563 427	(1 827 644)	11 735 783

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Amortisation	Total
Software	18 103 059	(4 539 632)	13 563 427

BUFFALO CITY METROPOLITAN MUNICIPALITY

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6. Heritage assets

Economic entity	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	7 398 532	-	7 398 532	7 398 532	-	7 398 532
Memorials	2 866 049	-	2 866 049	2 866 049	-	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433	22 198 433	-	22 198 433
Other Heritage sites	18 050 426	-	18 050 426	18 050 426	-	18 050 426
Total	50 513 440	-	50 513 440	50 513 440	-	50 513 440

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	7 398 532	-	7 398 532	7 398 532	-	7 398 532
Memorials	2 866 049	-	2 866 049	2 866 049	-	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433	22 198 433	-	22 198 433
Other Heritage sites	18 050 426	-	18 050 426	18 050 426	-	18 050 426
Total	50 513 440	-	50 513 440	50 513 440	-	50 513 440

Reconciliation of heritage assets - Economic entity - 2021

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	50 513 440	50 513 440

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6. Heritage assets (continued)

Reconciliation of heritage assets - Economic entity - 2020

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	50 513 440	50 513 440

Reconciliation of heritage assets - Controlling entity - 2021

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	50 513 440	50 513 440

Reconciliation of heritage assets - Controlling entity - 2020

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	50 513 440	50 513 440

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

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

7. Investment in associates

Name	Jurisdiction	Principal activity	Economic Entity		Controlling Entity	
			Carrying amount 2021	Carrying amount 2020	Carrying amount 2021	Carrying amount 2020
East London Industrial Development Zone (Pty)Ltd		Development of East London's Industrial Development Zone.	676 448 508	703 076 035	676 448 508	703 076 035
% holding			26 %	26 %	26 %	26 %

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

Movements in carrying amount

Opening balance	703 076 035	597 392 295	703 076 035	597 392 295
Share in (deficit)/surplus for the year	(26 627 528)	105 683 740	(26 627 528)	105 683 740
	676 448 508	703 076 035	676 448 508	703 076 035

Investment in associate at 30 June 2021 amounted to R 676 448 508 (2020: R 703 076 035).

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	781 408 364	860 844 542	781 408 364	860 844 542
Total liabilities	(104 959 598)	(157 768 246)	(104 959 598)	(157 768 246)
Total equity	676 448 508	703 076 035	676 448 508	703 076 035
Share in (deficit)/surplus for the year	(26 627 528)	105 683 740	(26 627 528)	105 683 740
Surplus - Opening balance	703 076 035	597 392 286	703 076 035	597 392 286

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 2020 to 31 March 2021.

Per Accounting Policy 1.8, the entity 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 2020 - 31 March 2021.

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	2021	2020 *Restated	2021	2020 *Restated

7. Investment in associates (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	448 014 147	644 252 481	448 014 147	644 252 481
Non-current assets	2 557 402 645	2 666 688 065	2 557 402 645	2 666 688 065
Current liabilities	(403 690 765)	(606 800 948)	(403 690 765)	(606 800 948)
Revenue	702 365 286	1 096 848 168	702 365 286	1 096 848 168
Expenditure	(804 778 857)	(690 372 208)	(804 778 857)	(690 372 208)
(Deficit)/Surplus for the period	(102 413 571)	406 475 696	(102 413 571)	406 475 696

8. Operating lease liability

Current liabilities	(99 404)	(51 545)	-	-
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The Agency entered into lease agreements for its two multifunctional printers and office space. GRAP 13 requires straightlining of lease payments over the duration of the lease term. The lease for the office space has an escalating clause of 7% per annum. The above lease accrual is therefore as a result of adhering with the standard.

9. Employee benefit obligations

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

Carrying value

Balance at the beginning of the year	684 817 000	728 815 087	684 817 000	728 815 087
Interest cost	62 882 000	63 553 801	62 882 000	63 553 801
Current service cost	41 081 000	43 491 390	41 081 000	43 491 390
Actual employer benefit payments	(42 158 000)	(47 430 169)	(42 158 000)	(47 430 169)
Actuarial loss/(gain) recognised in the year	40 593 000	(103 613 109)	40 593 000	(103 613 109)
	787 215 000	684 817 000	787 215 000	684 817 000
Non-current liabilities	(761 616 000)	(633 835 000)	(761 616 000)	(633 835 000)
Current liabilities	(25 599 000)	(50 982 000)	(25 599 000)	(50 982 000)
Net liability	(787 215 000)	(684 817 000)	(787 215 000)	(684 817 000)

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

9. Employee benefit obligations (continued)

Net costs

Interest cost	62 882 000	63 553 801	62 882 000	63 553 801
Current service cost	41 081 000	43 491 390	41 081 000	43 491 390
Actuarial loss/(gains) recognised in the year	40 593 000	(103 613 109)	40 593 000	(103 613 109)
Actual employer benefit payments	(42 158 000)	(47 430 169)	(42 158 000)	(47 430 169)
Net costs per Statement of Financial Performance	102 398 000	(43 998 087)	102 398 000	(43 998 087)

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

Balance at the beginning of the year	454 831 000	511 868 575	454 831 000	511 868 575
Interest costs	46 136 000	47 118 811	46 136 000	47 118 811
Current service cost	19 568 000	20 993 590	19 568 000	20 993 590
Actual employer benefit payments	(20 009 000)	(19 348 605)	(20 009 000)	(19 348 605)
Actuarial gain recognised in the year	11 631 000	(105 801 371)	11 631 000	(105 801 371)
Net costs per Statement of Financial Performance	512 157 000	454 831 000	512 157 000	454 831 000

Post retirement medical contribution - Net cost

Interest costs	46 136 000	47 118 811	46 136 000	47 118 811
Current service cost	19 568 000	20 993 590	19 568 000	20 993 590
Actuarial loss/(gains) recognised in the year	11 631 000	(105 801 371)	11 631 000	(105 801 371)
Actual employer benefit payments	(20 009 000)	(19 348 605)	(20 009 000)	(19 348 605)
	57 326 000	(57 037 575)	57 326 000	(57 037 575)

The best estimates for the employer benefit payments in the 2020/21 financial period is expected to be R20 340 000 (The actual employer benefit payments in the 2020/21 financial period was R19 568 000).

The entity 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 ZAQ Consultants and Actuaries using the Projected Unit Credit Method.

The entity opted not to recognise the actuarial loss applying the "Corridor" 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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
9. Employee benefit obligations (continued)				
Key assumptions used				
Assumptions used at the reporting date:				
Discount rate	Yield curve	10.37 %	Yield curve	10.37 %
Health care cost inflation rate	CPI+1.5%	6.44 %	CPI+1.5%	6.44 %
Net-of-health-care-cost-inflation discount rate	Yield curve based	3.69 %	Yield curve based	3.69 %
Maximum subsidy inflation rate	4.73 %	4.46 %	4.73 %	4.46 %
Net-of-maximum-subsidy-inflation discount rate	3.37 %	5.66 %	3.37 %	5.66 %
Average retirement age	62	62	62	62
Continuation of membership at retirement	75 %	75 %	75 %	75 %
Proportion with a spouse dependent at retirement	90 %	60 %	90 %	60 %
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
In-service members				
Number of in-service members	3 622	3 673	3 622	3 673
Average age	46.0	44.9	46.0	44.9
Average past service	13.1	11.6	13.1	11.6
Number of spouses	1 040	-	1 040	-
Average present value of post-employment subsidy p.m.	R 1 399	R 1 599	R 1 399	R 1 599
Average current value of post-employment subsidy p.m.	R 2 110	R 2 411	R 2 110	R 2 411
Continuation members				
Number of principal members	492	503	492	503
Proportion with a spouse dependent	0.38	0.39	0.38	0.39
Average age of members	74.3	72.2	74.3	72.2
Average subsidy per month	R 3 310	R 3 268	R 3 310	R 3 268

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

9. Employee benefit obligations (continued)

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation.
- 1% increase/decrease in the Discount Rate.
- 1 year decrease in the Average Retirement Age.
- 10% decrease in the Continuation Rate assumption.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

The table below illustrates the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%.

	-20% Mortality rate	Valuation assumption	+20% Mortality rate
In-service members	335 961 000	313 245 000	293 809 500
Continuation members	215 908 000	198 912 000	185 237 000
Total accrued liability	551 869 000	512 157 000	479 046 500
Interest cost	71 421 000	66 249 000	61 916 000
Service cost	30 749 000	28 544 000	26 657 000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The table below summarises the effect of a 1% p.a. change in the medical aid inflation assumption.

Assumption	-1% Medical aid inflation	Valuation assumption	+1% Medical aid inflation
In-service members	287 004 750	313 245 000	332 976 000
Continuation members	188 756 000	198 912 000	208 263 000
Total accrued liability	475 760 750	512 157 000	541 239 000
Interest cost	61 279 000	66 249 000	70 167 000
Service cost	25 830 000	28 544 000	30 538 000

Discount rate

The value of the liability is dependent on the level of the discount rate used to discount the future payments. The table below summarises the effect of a 1%p.a. change in the discount rate assumption.

Assumption	-1% Discount rate	Valuation assumption	+1% Discount rate
In-service members	367 768 500	313 245 000	269 431 500
Continuation members	213 937 000	198 912 000	185 707 000
Total accrued liability	581 705 500	512 157 000	455 138 500
Interest cost	75 931 000	66 249 000	58 352 000
Service cost	34 262 000	28 544 000	24 030 000

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

9. Employee benefit obligations (continued)

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

The table below summarises the effect of a one year decrease in the assumed average retirement age

Assumption	1-year decrease	Valuation assumption
In-service members	349 190 250	313 245 000
Continuation members	198 912 000	198 912 000
Total accrued liability	548 102 250	512 157 000
Interest cost	71 466 000	66 249 000
Service cost	31 054 000	28 544 000
	1 198 724 500	1 119 107 000

Continuation of membership at retirement

The liability value is directly dependent on the number of in-service members that continue into retirement.

The table below summarises the effect of a 10% decrease in the continuation rate of in-service members into retirement.

Assumption	-10% continuation rate	Valuation assumption
In-service members	271 479 000	313 245 000
Continuation members	198 912 000	198 912 000
Total accrued liability	470 391 000	512 157 000
Interest cost	66 249 000	66 249 000
Service cost	28 544 000	28 544 000

History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and previous periods.

Liability history	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Accrued liability	527.298	537.975	511.869	454.831	512.157
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	(527.298)	(537.975)	(511.869)	(454.831)	(512.157)

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 actually occurred.

Experience adjustments	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Liabilities: (Gain) / Loss	26.366	(1.794)	(3.964)	(12.365)	55.349
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

9. Employee benefit obligations (continued)

Long service awards amounts recognised in the statement of financial position

Balance at the beginning of the year	229 986 000	216 946 512	229 986 000	216 946 512
Interest cost	16 746 000	16 434 990	16 746 000	16 434 990
Current service cost	21 513 000	22 497 800	21 513 000	22 497 800
Actual employer benefit payments	(22 149 000)	(28 081 564)	(22 149 000)	(28 081 564)
Actuarial loss/(gain) recognised in the year	28 962 000	2 188 262	28 962 000	2 188 262
	275 058 000	229 986 000	275 058 000	229 986 000

Long service awards - Net cost

Interest costs	16 746 000	16 434 990	16 746 000	16 434 990
Current service cost	21 513 000	22 497 800	21 513 000	22 497 800
Actuarial losses recognised in the year	28 962 000	2 188 262	28 962 000	2 188 262
Employer benefits vesting	(22 149 000)	(28 081 564)	(22 149 000)	(28 081 564)
	45 072 000	13 039 488	45 072 000	13 039 488

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 earnings used in the valuation include an increase on 1 July 2020 of 6.25% as per the SALGBC Circular No.: 02/2020. The next general earnings increase was assumed to take place on 1 July 2021.

Assumptions used at the reporting date:

Discount rate	Yield Curve	7.79 %	Yield Curve	7.79 %
General earnings inflation rate (long-term)	Equal to CPI+1%	3.83 %	Equal to CPI+1%	3.83 %
Net effective discount rate	Yield Curve Based	3.81 %	Yield Curve Based	3.81 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	2.83 %	Difference between nominal and real yield curve	2.83 %
Average retirement age	62	62	62	62
Pre-retirement mortality	SA85-90	SA85-90	SA85-90	SA85-90

Sensitivity analysis

The liability at the Valuation Date was recalculated to show the effect of:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation
- 1% increase/decrease in the Discount Rate.
- 2-year increase/decrease in the Average Retirement Age.

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

The table below summarises the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%.

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	2021	2020 *Restated	2021	2020 *Restated

9. Employee benefit obligations (continued)

Assumption	-20% Withdrawal rate	Valuation assumption	+20% Withdrawal rate
Total accrued liability	286 370 000	275 058 000	264 591 000
Current service cost	26 674 000	25 339 000	24 118 000
Interest cost	30 331 000	29 050 000	27 866 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The table below summarises the effect of a 1% p.a. change in the Normal Salary inflation assumption.

Assumption	-1% Normal salary inflation	Valuation assumption	+1% Normal salary inflation
Total accrued liability	259 197 000	275 058 000	292 445 000
Current service cost	23 715 000	25 339 000	27 135 000
Interest cost	27 268 000	29 050 000	31 005 000

Discount rate

The cost of the long service awards is dependent on the discount rate used to discount the future expected payments. This discount rate will thus have a direct effect on the liability of future employees.

The table summarises the effect of a 1% p.a. change in the Discount rate assumption.

Assumption	-1% Discount rate	Valuation assumption	+1% Discount rate
Total accrued liability	292 445 000	275 058 000	258 197 000
Current service cost	27 135 000	25 339 000	23 715 000
Interest cost	31 005 000	29 050 000	27 268 000

Average retirement age

The cost of the long service awards is dependent on the average age at which employees retire as this will affect the amount of benefits the employees may qualify for in the future.

The table below summarises the effect of a 2-year increase and decrease in the Average Retirement Age assumption.

Assumption	2 year decrease in Average Retirement Age	Valuation assumption	2 year increase in Average Retirement Age
Total accrued liability	237 219 000	275 058 000	314 134 000
Current service cost	22 688 000	25 339 000	28 013 000
Interest cost	24 864 000	29 050 000	33 370 000

History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and the previous two periods.

Liability history	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Accrued liability	195.180	216.947	229.986	275.058
Fair value of plan asset	0.000	0.000	0.000	0.000
(Deficit)	(195.180)	(216.947)	(229.986)	(275.058)

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

9. Employee benefit obligations (continued)

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

Experience adjustments	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Liabilities: (Gain) / Loss	12 628 230	18 797 262	5 198 000
Assets: Gain / (Loss)	0.000	0.000	0.000

Defined contribution plan - BCMDA

It is the policy of the entity to provide retirement benefits to all its employees. BCMDA has during the financial year made contributions to a Defined Contribution Plan, wherein the fixed contributions are paid on a monthly basis. The entity is under no obligation to cover any unfunded benefits. Kindly refer to note 61 for the amounts paid to the fund.

The amount recognised as an expense for defined contribution plans is	1 747 649	1 590 464	-	-
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10. Inventories

Electricity store (Electrical maintenance parts)	8 352 201	12 223 986	8 352 201	12 223 986
Workshop store (Mechanical maintenance parts)	308 099	192 551	308 099	192 551
Water store (Water maintenance parts)	3 210 894	882 100	3 210 894	882 100
Unsold water (Treated water in pipelines & reservoirs)	11 773 522	12 861 661	11 773 522	12 861 661
General stores (Chiselhurst, Mdantsane, KWT)	14 083 974	9 437 826	14 023 268	9 377 120
	<u>37 728 690</u>	<u>35 598 124</u>	<u>37 667 984</u>	<u>35 537 418</u>
Inventories (write-downs)	(702 379)	(1 129 206)	(689 642)	(1 129 206)
	<u>37 026 311</u>	<u>34 468 918</u>	<u>36 978 342</u>	<u>34 408 212</u>

Carrying value of stock is disclosed at the lower of cost and net realisable value.

The inventories (write-downs) amount is in respect of obsolete stock and not due to a change in accounting policy.

Inventory write-downs is included in the Statement of Financial Performance.

Inventory pledged as security

No inventory was pledged as security.

11. Prepayments

Prepayments	97 604	-	-	-
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The prepayment relates to office space rental invoice dated 01 July 2021, that was mistakenly paid on 30 June as the date of paying outstanding invoices.

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
12. Receivables from non-exchange transactions				
Traffic fines	41 818 638	37 717 537	41 818 638	37 717 537
Other receivables (billing)	297 198 367	265 266 344	297 198 367	265 266 344
Other debtors	24 826 024	31 388 184	24 826 024	31 388 184
Property rates	1 019 684 711	850 188 578	1 019 684 711	850 188 578
Allowance for impairment property rates and other receivables billing	(598 033 652)	(504 417 636)	(598 033 652)	(504 417 636)
	785 494 088	680 143 007	785 494 088	680 143 007
Property rates				
Current (0-30 days)	121 053 587	108 309 076	121 053 587	108 309 076
31-60 days	51 354 487	54 779 009	51 354 487	54 779 009
61-90 days	38 570 987	40 752 682	38 570 987	40 752 682
91-120 days	33 390 949	30 739 243	33 390 949	30 739 243
121-365 days	253 870 083	170 832 592	253 870 083	170 832 592
>365 days	521 444 618	444 775 976	521 444 618	444 775 976
	1 019 684 711	850 188 578	1 019 684 711	850 188 578
Less: Allowance for Impairment - Property Rates				
Current (0-30 days)	(52 803 911)	(47 244 721)	(52 803 911)	(47 244 721)
31-60 days	(22 400 970)	(23 894 756)	(22 400 970)	(23 894 756)
61-90 days	(16 824 772)	(17 776 433)	(16 824 772)	(17 776 433)
91-120 days	(14 565 225)	(13 408 543)	(14 565 225)	(13 408 543)
121-365 days	(110 738 838)	(74 517 653)	(110 738 838)	(74 517 653)
>365 days	(227 455 595)	(194 085 172)	(227 455 595)	(194 085 172)
	(444 789 311)	(370 927 278)	(444 789 311)	(370 927 278)
Other Receivables (Billing)				
Current (0-30 days)	16 804 837	14 843 029	16 804 837	14 843 029
31-60 days	5 881 468	5 880 746	5 881 468	5 880 746
61-90 days	4 508 945	4 034 689	4 508 945	4 034 689
91-120 days	4 370 508	4 742 185	4 370 508	4 742 185
121-365 days	45 548 357	37 094 685	45 548 357	37 094 685
>365 days	220 084 252	198 671 010	220 084 252	198 671 010
	297 198 367	265 266 344	297 198 367	265 266 344
Less: Allowance for Impairment - Other Receivables (Billing)				
Current (0-30 days)	(8 464 397)	(7 469 479)	(8 464 397)	(7 469 479)
31-60 days	(3 036 669)	(2 959 376)	(3 036 669)	(2 959 376)
61-90 days	(2 328 020)	(2 030 382)	(2 328 020)	(2 030 382)
91-120 days	(2 256 543)	(2 386 416)	(2 256 543)	(2 386 416)
121-365 days	(23 517 140)	(18 667 211)	(23 517 140)	(18 667 211)
>365 days	(113 641 571)	(99 977 494)	(113 641 571)	(99 977 494)
	(153 244 340)	(133 490 358)	(153 244 340)	(133 490 358)
Traffic Fines				
Opening Balance - Total Outstanding Fines (Based on prior 3 years)	188 587 689	168 479 390	188 587 689	168 479 390
Less: Outstanding Fines in respect of prior third year	(50 581 458)	(46 125 724)	(50 581 458)	(46 125 724)
Total Traffic Fines Issued BCMM	139 003 423	82 052 650	139 003 423	82 052 650
Traffic Fines withdrawn, untraceable and uncollectable	(3 123 100)	(4 005 500)	(3 123 100)	(4 005 500)

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	2021	2020 *Restated	2021	2020 *Restated
12. Receivables from non-exchange transactions (continued)				
Traffic Fines Paid	(12 520 066)	(11 813 128)	(12 520 066)	(11 813 128)
Total Outstanding Fines	261 366 487	188 587 689	261 366 487	188 587 689
Impairment (Based on a probability collection factor of approx. 16% - 2021 and 20% - 2020)	(219 547 849)	(150 870 151)	(219 547 849)	(150 870 151)
Traffic Fines Debtor	41 818 638	37 717 538	41 818 638	37 717 538

Credit quality of receivables from non-exchange transactions

The credit quality of trade and other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R (598 033 652) (2020: R (504 417 636)) were impaired and provided for.

Amounts totalling R77 753 712 (2020: R19 498 316) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2020: 1%) of the total operating income for the year.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(504 417 636)	(345 712 939)	(504 417 636)	(345 712 939)
Provision for impairment	(171 369 728)	(178 203 013)	(171 369 728)	(178 203 013)
Amounts written off as uncollectible	77 753 712	19 498 316	77 753 712	19 498 316
	(598 033 652)	(504 417 636)	(598 033 652)	(504 417 636)

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (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 credit enhancements.

13. Receivables from exchange transactions

Gross balances

Electricity	672 084 070	512 876 617	672 084 070	512 876 617
Water	1 498 986 484	988 726 369	1 498 986 484	988 726 369
Waste water	433 741 576	366 092 800	433 741 576	366 092 800
Refuse	524 365 827	445 398 505	524 365 827	445 398 505
Sundry debtors - BCMDA	176 761	60 710	-	-
Accrued income	341 108 361	333 754 455	341 108 361	333 754 455
	3 470 463 079	2 646 909 456	3 470 286 318	2 646 848 746

Less: Allowance for impairment

Electricity	(297 661 304)	(222 362 975)	(297 661 304)	(222 362 975)
Water	(1 163 384 593)	(854 299 794)	(1 163 384 593)	(854 299 794)
Waste water	(203 868 225)	(170 986 051)	(203 868 225)	(170 986 051)
Refuse	(224 098 153)	(215 435 592)	(224 098 153)	(215 435 592)
	(1 889 012 275)	(1 463 084 412)	(1 889 012 275)	(1 463 084 412)

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
13. Receivables from exchange transactions (continued)				
Net balance				
Electricity	374 422 766	290 513 642	374 422 766	290 513 642
Water	335 601 891	134 426 575	335 601 891	134 426 575
Waste water	229 873 351	195 106 749	229 873 351	195 106 749
Refuse	300 267 674	229 962 913	300 267 674	229 962 913
Sundry debtors - BCMDA	176 761	60 710	-	-
Accrued income	341 108 361	333 754 455	341 108 361	333 754 455
	1 581 450 804	1 183 825 044	1 581 274 043	1 183 764 334
Electricity				
Current (0 -30 days)	244 194 992	195 062 195	244 194 992	195 062 195
31 - 60 days	37 450 841	23 986 218	37 450 841	23 986 218
61 - 90 days	24 646 226	20 074 558	24 646 226	20 074 558
91 - 120 days	17 870 966	32 419 245	17 870 966	32 419 245
121 - 365 days	120 484 580	81 571 863	120 484 580	81 571 863
> 365 days	227 436 465	159 762 538	227 436 465	159 762 538
	672 084 070	512 876 617	672 084 070	512 876 617
Water				
Current (0 -30 days)	256 074 725	253 860 613	256 074 725	253 860 613
31 - 60 days	69 635 001	53 040 891	69 635 001	53 040 891
61 - 90 days	58 094 001	69 087 573	58 094 001	69 087 573
91 - 120 days	84 992 522	61 724 903	84 992 522	61 724 903
121 - 365 days	572 645 506	168 626 532	572 645 506	168 626 532
> 365 days	457 544 728	382 385 857	457 544 728	382 385 857
	1 498 986 483	988 726 369	1 498 986 483	988 726 369
Waste water				
Current (0 -30 days)	39 741 018	22 634 049	39 741 018	22 634 049
31 - 60 days	16 375 173	17 149 055	16 375 173	17 149 055
61 - 90 days	12 192 211	11 267 801	12 192 211	11 267 801
91 - 120 days	11 272 166	9 630 878	11 272 166	9 630 878
121 - 365 days	115 023 586	53 945 999	115 023 586	53 945 999
> 365 days	239 137 421	251 465 018	239 137 421	251 465 018
	433 741 575	366 092 800	433 741 575	366 092 800
Refuse				
Current (0 -30 days)	32 855 515	59 498 142	32 855 515	59 498 142
31 - 60 days	25 990 039	13 162 225	25 990 039	13 162 225
61 - 90 days	11 942 484	10 207 772	11 942 484	10 207 772
91 - 120 days	11 152 974	9 046 676	11 152 974	9 046 676
121 - 365 days	134 847 641	56 673 718	134 847 641	56 673 718
> 365 days	307 577 172	296 809 972	307 577 172	296 809 972
	524 365 825	445 398 505	524 365 825	445 398 505

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
13. Receivables from exchange transactions (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	376 216 851	366 319 416	376 216 851	366 319 416
31 - 60 days	138 158 105	105 011 604	138 158 105	105 011 604
61 - 90 days	104 490 176	106 248 885	104 490 176	106 248 885
91 - 120 days	117 636 448	102 333 161	117 636 448	102 333 161
121 - 365 days	1 017 836 028	420 795 726	1 017 836 028	420 795 726
> 365 days	1 610 558 261	1 469 714 488	1 610 558 261	1 469 714 488
	3 364 895 869	2 570 423 280	3 364 895 869	2 570 423 280
Less: Allowance for impairment	(2 096 150 728)	(1 652 701 719)	(2 096 150 728)	(1 652 701 719)
	1 268 745 141	917 721 561	1 268 745 141	917 721 561
Industrial/ commercial				
Current (0 -30 days)	304 241 877	251 680 508	304 241 877	251 680 508
31 - 60 days	56 960 864	55 806 389	56 960 864	55 806 389
61 - 90 days	39 923 638	42 667 912	39 923 638	42 667 912
91 - 120 days	43 275 196	42 177 238	43 275 196	42 177 238
121 - 365 days	219 500 845	143 424 932	219 500 845	143 424 932
> 365 days	353 150 139	255 889 153	353 150 139	255 889 153
	1 017 052 559	791 646 132	1 017 052 559	791 646 132
Less: Allowance for impairment	(390 895 199)	(314 800 328)	(390 895 199)	(314 800 328)
	626 157 360	476 845 804	626 157 360	476 845 804
National and provincial government				
Current (0 -30 days)	30 265 947	33 370 918	30 265 947	33 370 918
31 - 60 days	11 568 041	8 637 465	11 568 041	8 637 465
61 - 90 days	5 541 041	6 753 069	5 541 041	6 753 069
91 - 120 days	2 138 441	3 405 669	2 138 441	3 405 669
121 - 365 days	5 082 882	7 642 058	5 082 882	7 642 058
> 365 days	9 516 256	6 670 622	9 516 256	6 670 622
	64 112 608	66 479 801	64 112 608	66 479 801
Total				
Current (0 -30 days)	710 724 675	651 370 842	710 724 675	651 370 842
31 - 60 days	206 687 009	169 455 458	206 687 009	169 455 458
61 - 90 days	149 954 854	155 669 866	149 954 854	155 669 866
91 - 120 days	163 050 085	147 916 068	163 050 085	147 916 068
121 - 365 days	1 242 419 755	571 862 716	1 242 419 755	571 862 716
> 365 days	1 973 224 655	1 801 495 475	1 973 224 655	1 801 495 475
	4 446 061 033	3 497 770 425	4 446 061 033	3 497 770 425
Less: Allowance for impairment	(2 487 045 927)	(1 967 502 047)	(2 487 045 927)	(1 967 502 047)
	1 959 015 106	1 530 268 378	1 959 015 106	1 530 268 378
Less: Allowance for impairment				
Current (0 -30 days)	(398 086 502)	(390 467 327)	(398 086 502)	(390 467 327)
31 - 60 days	(115 058 192)	(95 771 782)	(115 058 192)	(95 771 782)
61 - 90 days	(86 114 026)	(96 405 246)	(86 114 026)	(96 405 246)
91 - 120 days	(100 907 184)	(90 407 223)	(100 907 184)	(90 407 223)
121 - 365 days	(744 995 722)	(320 745 728)	(744 995 722)	(320 745 728)
> 365 days	(1 041 884 299)	(973 704 739)	(1 041 884 299)	(973 704 739)

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
13. Receivables from exchange transactions (continued)				
	(2 487 045 925)	(1 967 502 045)	(2 487 045 925)	(1 967 502 045)
Total debtor past due but not impaired				
Current (0 -30 days)	91 628 817	73 683 676	91 628 817	73 683 676
Gross debtors and debtors age analysis comparison				
Other Receivables (Billing)	297 198 367	265 266 344	297 198 367	265 266 344
Property Rates	1 019 684 711	850 188 578	1 019 684 711	850 188 578
Electricity	672 084 070	512 876 617	672 084 070	512 876 617
Water	1 498 986 484	988 726 369	1 498 986 484	988 726 369
Waste Water	433 741 576	366 092 800	433 741 576	366 092 800
Refuse	524 365 827	445 398 505	524 365 827	445 398 505
Debtors age analysis inclusive of VAT	4 446 061 035	3 428 549 213	4 446 061 035	3 428 549 213

Consumer debtors pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any of the accounts receivable.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Consumer debtors impaired

As of 30 June 2021, consumer debtors of R (1 889 012 275) (2020: R (1 463 084 412)) were impaired and provided for.

Amounts totalling R451 537 233 as of 30 June 2021 (2020: R32 394 622) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2020: 0.025%) of the total operating income for the year.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(1 463 084 412)	(1 067 390 154)	(1 463 084 412)	(1 067 390 154)
Allowance for impairment	(877 465 096)	(428 088 880)	(877 465 096)	(428 088 880)
Debt impairment written off against allowance	451 537 233	32 394 622	451 537 233	32 394 622
	(1 889 012 275)	(1 463 084 412)	(1 889 012 275)	(1 463 084 412)

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.

Refer to note 12 regarding impairment of non-exchange transactions.

In terms of the arrangements to repay rates and services debt as at 30 June 2021, 4600 (2020: 1781) debtors had active outstanding arrangements to the value of R128 339 768 (2020: R46 952 243). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

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	2021	2020 *Restated	2021	2020 *Restated

13. Receivables from exchange transactions (continued)

Accrued income

BCMM entered into an agreement with the Health Department for the rendering of Clinic Services in 2009. These services lapsed in 2013 and the services were handed back to the Department of Health.

This ensured that Clinic services are received on time throughout the Metro.

Currently the Department of Health has faulted on the payment of allocated monies to be paid to BCMM to run those particular services and BCMM has reported this to National Treasury for intervention. BCMM has spent its own funds to ensure the smooth running of the clinics without full payment for the services.

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	2021	2020 *Restated	2021	2020 *Restated

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	86 244	86 096	84 607	84 607
Bank balances	250 689 351	254 757 922	231 362 158	238 626 684
Short-term deposits	894 631 683	1 118 866 689	894 631 683	1 118 866 689
	1 145 407 278	1 373 710 707	1 126 078 448	1 357 577 980

Allocation of external investments (call and short-term deposits)

BCMET	-	541 862	-	541 862
Own funding (operating account commitments)	894 631 683	1 118 324 827	894 631 683	1 118 324 827
	894 631 683	1 118 866 689	894 631 683	1 118 866 689

Call and short-term deposits per institution

Absa (interest rate range 3.30% - 4.35% : 2020 6.1% - 6.8%)	202 363 649	277 883 432	202 363 649	277 883 432
Nedbank (interest rate range 3.30% - 4.21% : 2020 6.1% - 7.5%)	248 667 350	284 805 252	248 667 350	284 805 252
RMB (interest rate range 3.30% - 3.63% : 2020 4% - 8%)	198 302 667	279 972 971	198 302 667	279 972 971
Standard Bank (interest rate range 3.30% - 4.25% : 2020 6.1% - 7%)	212 655 695	234 277 615	212 655 695	234 277 615
Stanlib (interest rate range 3.30% - 4.02% : 2020 6.1% - 8%)	32 642 322	41 927 419	32 642 322	41 927 419
	894 631 683	1 118 866 689	894 631 683	1 118 866 689

There is a significant drop in interest rates between the 2020 and 2021 financial years due to constant interest rate cuts 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 controlling entity in respect of the Department of Labour for COID amounts to R19 334 765, (2020: R19 083 035).

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

14. Cash and cash equivalents (continued)

The economic entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
STANDARD BANK - Primary Account - 081-166-702	208 860 830	363 634 783	208 092 759	229 038 791
STANDARD BANK - Market Account - 081-167-873	2 186 244	2 939 537	2 751 903	593 864
STANDARD BANK - Prism Account - 081-167-776	-	-	20 517 496	8 994 029
STANDARD BANK - Charges Account - 081-167-156	210	-	-	-
STANDARD BANK - Imprest Account	-	2 312	-	-
First National Bank - Public Sector Cheque Account - 620-9871-7899	6 659 766	1 434 349	6 659 766	1 434 348
First National Bank - Commercial Money Market Account - 620-9871-9358	10 029 466	10 804 827	10 029 466	10 804 827
First National Bank - DEA Waste Management Public Sector Cheque Account - 627-4180-3177	68 586	3 892 062	68 586	3 892 063
First National Bank - Public Sector Cheque Account - 629-0192-1983	2 569 375	-	2 569 375	-
Total	230 374 477	382 707 870	250 689 351	254 757 922

15. Revaluation reserve

Opening balance	9 460 564 593	9 877 099 709	9 460 564 593	9 877 099 709
Change during the year	2 102 078 089	(416 535 116)	2 102 078 089	(416 535 116)
	11 562 642 682	9 460 564 593	11 562 642 682	9 460 564 593

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	2021	2020 *Restated	2021	2020 *Restated

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National Government Grants	39 385 756	315 099 301	37 234 191	311 205 935
Provincial Government Grants	6 279 911	6 536 633	6 279 911	6 536 633
Other Conditional Grants	2 309 896	2 214 581	2 309 896	2 214 581
Administrative Grants	214 170 839	207 656 054	214 170 839	207 656 054
	262 146 402	531 506 569	259 994 837	527 613 203

National Government	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure (988 522)	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Financial Management Grant (FMG)	26	1 000 000	(988 522)	-	(11 454)	50
Neighbourhood Development Partnership Grant (NDPG)	8 054 828	10 000 000	-	(9 922 505)	(8 113 155)	19 168
Electricity Demand: Side Management Grant (EDSM)	-	6 300 000	-	(6 195 353)	(104 374)	273
Urban Settlement Development Grant (USDG)	223 055 537	887 121 000	(96 925 554)	(884 628 432)	(100 441 486)	28 181 065
Expanded Public Works Programme (EPWP)	(2)	8 449 000	(8 448 911)	-	-	87
Integrated City Development Grant (ICDG)	1 160	8 218 000	(866 207)	(1 756 872)	(263 531)	5 332 550
Infrastructure Skills Development Grant (ISDG)	1 723 212	10 808 000	(7 153 743)	(76 991)	(1 753 374)	3 547 104
Public Transport Network Grant (PTNG)	78 371 174	-	(732 635)	(67 689 540)	(9 795 105)	153 894
DEA - Waste Management Conditional grant - BCMDA	3 893 366	2 078 453	(5 900 789)	-	-	71 030
NDPG - Integrated Waste Management Grant - BCMDA	-	2 234 239	(153 704)	-	-	2 080 535
Subtotal	315 099 301	936 208 692	(121 170 065)	(970 269 693)	(120 482 479)	39 385 756

Provincial Government	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission Gompo Survey (DVRI Hydroponics)	1 257 728	42 343	-	-	-	1 300 071
Rehabilitation of Stoney Drift Landfill Site (DEDEAT)	98 532	-	-	-	-	98 532
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	199 168	-	-	-	(199 168)	-
Pilot Housing Project	861	-	-	-	-	861
Reeston Development - Land Affairs	268 793	-	-	-	-	268 793
Mdantsane Urban Renewal Project (Mount Ruth Node)	186 550	6 308	-	-	-	192 858
Ikhwezi Block 1 Development	2 898 652	102 616	-	-	-	3 001 268
	175 288	-	-	-	-	175 288

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Figures in Rand	Economic entity		Controlling entity			
	2021	2020 *Restated	2021	2020 *Restated		
16. Unspent conditional grants and receipts (continued)						
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	189 165	
Needscamp Planning	937 253	-	-	-	937 253	
Department of Sports, Recreation, Arts and Culture (DSRAC)	208 821	-	-	(208 821)	-	
Subtotal	6 536 633	151 267	-	-	(407 989) 6 279 911	
Other Conditional Grants						
	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Buffalo City Metro Transport (BCMETS) Funding	487 499	-	-	-	-	487 499
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAJDA (Gavle)	748 631	31 387	(442 232)	-	-	337 786
Leiden	84 363	2 983	-	-	-	87 346
Umsobomvu Youth Fund	278 277	10 773	-	-	-	289 050
City of Oldenburg	367 785	492 404	-	-	-	860 189
Subtotal	2 214 581	537 547	(442 232)	-	-	2 309 896
Administrative Grant						
	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Land Affairs - West Bank	111 642 189	3 573 359	-	-	-	115 215 548
Land Affairs - East Bank	96 013 865	2 941 426	-	-	-	98 955 291
Subtotal	207 656 054	6 514 785	-	-	-	214 170 839
National Government (2020)						
	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2020
Financial Management Grant (FMG)	178	1 000 000	(940 487)	(50 288)	(9 377)	26
Neighbourhood Development Partnership Grant (NDPG)	7 183	10 000 000	-	(1 805 216)	(147 139)	8 054 828
Integrated National Electrification Programme (INEP)	987 615	-	-	-	(987 615)	-
Electricity Demand: Side Management Grant (EDSM)	2 285	-	-	-	(2 285)	-
Urban Settlement Development Grant (USDG)	1 443	1 157 423 000	(82 354 709)	(758 660 375)	(93 353 822)	223 055 537
Expanded Public Works Programme (EPWP)	(48)	9 956 000	(9 955 954)	-	-	(2)
Municipal Emergency Housing Grant (MEHG)	294 360	-	-	-	(294 360)	-
Integrated City Development Grant (ICDG)	621	10 383 000	-	(9 992 229)	(390 232)	1 160
Infrastructure Skills Development Grant (ISDG)	1 102 858	9 000 000	(7 096 673)	(109 988)	(1 172 985)	1 723 212
Public Transport Network Grant (PTNG)	666 280	234 466 000	(2 475 920)	(133 329 070)	(20 956 116)	78 371 174
DEA - GMC Grant - BCMDA	3 585	-	(3 585)	-	-	-

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16. Unspent conditional grants and receipts (continued)						
DEA - Waste Management	2 949 948	8 609 913	(7 726 295)	-	59 800	3 893 366
Conditional grant - BCMDA						
Subtotal	6 016 308	1 440 837 913	(110 553 623)	(903 947 166)	(117 254 131)	315 099 301
Provincial Government (2020)						
	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2020
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission	1 188 587	69 141	-	-	-	1 257 728
Gompo Survey (DVRI Hydroponics)	98 532	-	-	-	-	98 532
Rehabilitation of Stoney Drift Landfill Site (DEDEAT)	199 168	-	-	-	-	199 168
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - Land Affairs	176 248	10 302	-	-	-	186 550
Mdantsane Urban Renewal Project (Mount Ruth Node)	4 122 147	355 207	-	(1 578 702)	-	2 898 652
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 Sports, Recreation, Arts and Culture (DSRAC)	208 821	-	-	-	-	208 821
Subtotal	7 680 685	434 650	-	(1 578 702)	-	6 536 633
Other Conditional Grants (2020)						
	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2020
Buffalo City Metro Transport (BCMETS) Funding	487 499	-	-	-	-	487 499
Friends of East London Zoo (Felzoo)	248 025	-	-	-	-	248 025
SALAIDA (Gavle)	763 895	58 419	(73 682)	-	-	748 632
Leiden	79 492	4 871	-	-	-	84 363
Umsobomvu Youth Fund	260 686	17 590	-	-	-	278 276
City of Oldenburg	347 568	20 218	-	-	-	367 786
Subtotal	2 187 165	101 098	(73 682)	-	-	2 214 581
Administrative Grant (2020)						
	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2020
Land Affairs - West Bank	104 743 226	6 898 961	-	-	-	111 642 187
Land Affairs - East Bank	89 982 897	6 030 970	-	-	-	96 013 867
Subtotal	194 726 123	12 929 931	-	-	-	207 656 054

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16. Unspent conditional grants and receipts (continued)

Though an amount of R259 994 837 is reported as unspent conditional grants, this figure includes the following:

- An amount of R214 170 839 that BCMM administers on behalf of the West Bank and East Bank Land Restitution (Section 21 Company), BCMM has no control on the spending of use of the funding.

- Other balances relate to ring fenced trust funding projects.

17. Borrowings

At amortised cost

Annuity loans	233 184 927	287 580 532	233 184 927	287 580 532
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Non-current liabilities

At amortised cost	187 994 372	233 184 927	187 994 372	233 184 927
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Current liabilities

At amortised cost	45 190 555	54 395 605	45 190 555	54 395 605
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The entity did not default on any of the borrowings in respect of capital or interest portions.

The entity concluded a new loan agreement with Standard Bank for a new capital infrastructure project.

No terms attached to the borrowings were re-negotiated.

Average interest rate is 9.16%.

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18. Provisions

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Provisions - Retentions	832 733	5 665 269	-	-	6 498 002
Landfill sites	331 031 685	34 495 181	-	-	365 526 866
Bonus provision	57 128 261	60 345 743	(54 991 814)	(954 509)	61 527 681
Provision - EL IDZ Defects	255 754	-	-	-	255 754
	389 248 433	100 506 193	(54 991 814)	(954 509)	433 808 303

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Additions	Utilised during the year	Increase	Total
Provisions - Retentions	-	832 733	-	-	832 733
Landfill sites	212 066 275	118 965 410	-	-	331 031 685
Bonus provision	45 092 749	56 769 473	(51 072 277)	6 338 316	57 128 261
Provision - EL IDZ Defects	-	255 754	-	-	255 754
	257 159 024	176 823 370	(51 072 277)	6 338 316	389 248 433

Reconciliation of provisions - Controlling entity - 2021

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Landfill sites	331 031 685	34 495 181	-	-	365 526 866
Bonus provision	55 946 323	59 391 159	(54 991 814)	(954 509)	59 391 159
	386 978 008	93 886 340	(54 991 814)	(954 509)	424 918 025

Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Additions	Utilised during the year	Increase	Total
Landfill sites	212 066 275	118 965 410	-	-	331 031 685
Bonus provision	44 063 777	55 946 323	(50 402 093)	6 338 316	55 946 323
	256 130 052	174 911 733	(50 402 093)	6 338 316	386 978 008

Non-current liabilities	52 982 846	10 952 089	46 484 844	10 119 356
Current liabilities	380 825 457	378 296 344	378 433 181	376 858 652
	433 808 303	389 248 433	424 918 025	386 978 008

With regards to the Provision for Landfill sites it is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoil, vegetating, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

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	2021	2020 *Restated	2021	2020 *Restated

18. Provisions (continued)

Assumptions used:

- Interest rate used is BCMM's borrowing rate at 9.16% (2020: 9.41%).

- The valuation for the landfill site provision in 2021 was done by Infratec Consulting (Pty) Ltd, a company which specialises in infrastructure maintenance and operations and municipal services, which includes solid waste collection and disposal. The company registration number is 2015/252711/07 and the SAACE membership number is 30669684.

The expense relating to the provision of bonus is included under note 34: Employee related costs.

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	2021	2020 *Restated	2021	2020 *Restated

19. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2021

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 581 450 804	1 581 450 804
Other receivables from non-exchange transactions	12	785 494 088	785 494 088
Cash and cash equivalents	14	1 145 407 278	1 145 407 278
		3 512 352 170	3 512 352 170

Financial liabilities

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	139 239 675	139 239 675
Payments received in advance	20	-	208 660 908	208 660 908
Borrowings: Other financial liabilities	17	-	233 184 927	233 184 927
Trade and other payables	20	-	914 263 569	914 263 569
Consumer deposits	22	74 226 105	-	74 226 105
Other deposits	20	7 989 736	-	7 989 736
Unspent conditional grants	16	-	262 146 402	262 146 402
		82 215 841	1 757 495 481	1 839 711 322

Economic entity - 2020

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 183 825 044	1 183 825 044
Other receivables from non-exchange transactions	12	680 143 007	680 143 007
Cash and cash equivalents	14	1 373 710 707	1 373 710 707
		3 237 678 758	3 237 678 758

Financial liabilities

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	127 425 128	127 425 128
Payments received in advance	20	-	141 303 524	141 303 524
Borrowings: Other financial liabilities	17	-	287 580 532	287 580 532
Trade and other payables	20	-	956 187 299	956 187 299
Consumer deposits	22	70 143 449	-	70 143 449
Other deposits	20	7 624 011	-	7 624 011
Unspent conditional grants	16	-	531 506 569	531 506 569
		77 767 460	2 044 003 052	2 121 770 512

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

19. Financial instruments disclosure (continued)

Controlling entity - 2021

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 581 274 043	1 581 274 043
Other receivables from non-exchange transactions	12	785 494 088	785 494 088
Cash and cash equivalents	14	1 126 078 448	1 126 078 448
		3 492 846 579	3 492 846 579

Financial liabilities

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	139 239 675	139 239 675
Payments received in advance	20	-	208 660 908	208 660 908
Borrowings: Other financial liabilities	17	-	233 184 927	233 184 927
Trade and other payables	20	-	916 247 236	916 247 236
Consumer deposits	22	74 226 105	-	74 226 105
Other deposits	20	7 989 736	-	7 989 736
Unspent conditional grants	16	-	259 994 837	259 994 837
		82 215 841	1 757 327 583	1 839 543 424

Controlling entity - 2020

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 183 764 334	1 183 764 334
Other receivables from non-exchange transactions	12	680 143 007	680 143 007
Cash and cash equivalents	14	1 357 577 980	1 357 577 980
		3 221 485 321	3 221 485 321

Financial liabilities

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	127 425 128	127 425 128
Payments received in advance	20	-	141 303 524	141 303 524
Borrowings: Other financial liabilities	17	-	287 580 532	287 580 532
Trade and other payables	20	-	954 342 903	954 342 903
Consumer deposits	22	70 143 449	-	70 143 449
Other deposits	20	7 624 011	-	7 624 011
Unspent conditional grants	16	-	527 613 203	527 613 203
		77 767 460	2 038 265 290	2 116 032 750

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20. Trade payables from exchange transactions

Trade payables	712 862 466	725 862 311	716 456 640	725 886 700
Payments received in advanced	208 660 908	141 303 524	208 660 908	141 303 524
Retention monies	91 281 678	105 863 765	91 281 678	105 863 765
Accrued leave pay	139 239 675	127 425 128	139 239 675	127 425 128
Deposits received	7 989 736	7 624 011	7 989 736	7 624 011
Other creditors	110 119 425	124 461 223	108 508 918	122 592 438
	1 270 153 888	1 232 539 962	1 272 137 555	1 230 695 566

21. VAT payable

VAT	15 021 047	50 791 873	15 723 735	51 289 939
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The above VAT payable amount is the net amount of total VAT input R5 855 750 320 (June 2020: R5 205 752 194) less total VAT output R5 871 474 055 (June 2020: R5 257 042 133).

VAT Output includes VAT on impaired debtors of R262 876 319 (2020: R135 958 105)

Description	2021	2020	2021	2020
VAT on impaired debtors	262 876 319	135 958 105	262 876 319	135 958 105
Output VAT	(6 134 350 374)	(5 393 000 238)	(6 134 350 374)	(5 393 000 238)
	(5 871 474 055)	(5 257 042 133)	(5 871 474 055)	(5 257 042 133)
Input VAT	5 856 453 008	5 206 250 260	5 855 750 320	5 205 752 194
VAT payable	(15 021 047)	(50 791 873)	(15 723 735)	(51 289 939)

The entity 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.

22. Consumer deposits

Electricity	46 115 430	43 617 057	46 115 430	43 617 057
Water	28 110 675	26 526 392	28 110 675	26 526 392
	74 226 105	70 143 449	74 226 105	70 143 449

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 R73 286 680 (2020: R69 171 426).

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	2021	2020 *Restated	2021	2020 *Restated

23. Revenue

Service charges	3 937 344 604	3 180 241 921	3 937 344 604	3 180 241 921
Rental of facilities and equipment	24 222 075	22 652 060	24 222 075	22 652 060
Licences and Permits (non-exchange)	12 411 425	12 587 412	12 411 425	12 587 412
Total other revenue	105 659 768	92 214 318	105 111 670	91 477 471
Interest received	120 512 057	152 991 231	120 023 921	152 471 611
Property rates	1 589 415 133	1 468 355 288	1 589 415 133	1 468 355 288
Interest, Dividends and Rent on Land	40 197 816	39 698 901	40 197 816	39 698 901
Government grants & subsidies	2 275 984 378	1 997 418 002	2 272 517 398	1 989 656 320
Levies	75 981 644	68 707 237	75 981 644	68 707 237
Public contributions and donations	10 035 999	-	10 035 999	-
Fines	16 659 092	10 863 546	16 659 092	10 863 546
Fuel levy	593 337 000	547 497 000	593 337 000	547 497 000
	8 801 760 991	7 593 226 916	8 797 257 777	7 584 208 767

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	3 937 344 604	3 180 241 921	3 937 344 604	3 180 241 921
Rental of facilities and equipment	24 222 075	22 652 060	24 222 075	22 652 060
Total other revenue	105 659 768	92 214 318	105 111 670	91 477 471
Interest received	120 512 057	152 991 231	120 023 921	152 471 611
	4 187 738 504	3 448 099 530	4 186 702 270	3 446 843 063

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	2021	2020 *Restated	2021	2020 *Restated

23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	1 589 415 133	1 468 355 288	1 589 415 133	1 468 355 288
Licences or permits	12 411 425	12 587 412	12 411 425	12 587 412
Interest, Dividends and Rent on Land	40 197 816	39 698 901	40 197 816	39 698 901

Transfer revenue

Government grants & subsidies	2 275 984 378	1 997 418 002	2 272 517 398	1 989 656 320
Levies	75 981 644	68 707 237	75 981 644	68 707 237
Public contributions and donations	10 035 999	-	10 035 999	-
Fines	16 659 092	10 863 546	16 659 092	10 863 546
Fuel levy	593 337 000	547 497 000	593 337 000	547 497 000

4 614 022 487 4 145 127 386 4 610 555 507 4 137 365 704

Fines are made up as follows:

Traffic fines movement	4 101 100	(1 032 722)	4 101 100	(1 032 722)
Revenue received	12 557 992	11 896 268	12 557 992	11 896 268
	16 659 092	10 863 546	16 659 092	10 863 546

Total fines outstanding at 30 June 2021 is R261 366 487 (R188 587 689 : 2020) after eliminating untraceable and collected fines. A probability factor of 16% (20% : 2020) collection of total outstanding fines was calculated resulting in a traffic fines debtor amount of R41 818 638 (R37 717 538 : 2020). Refer to note 12.

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

Donations consist of two specialised vehicles donated by Road Traffic Management Corporation (RTMC).

24. Service charges

Sale of electricity	1 904 160 197	1 776 841 962	1 904 160 197	1 776 841 962
Sale of water	1 239 571 344	684 357 495	1 239 571 344	684 357 495
Sewerage and sanitation charges - Non Pans	339 297 852	313 533 709	339 297 852	313 533 709
Sewerage and sanitation charges - Pans	80 076 259	63 694 547	80 076 259	63 694 547
Refuse removal	364 764 200	335 843 487	364 764 200	335 843 487
Other service charges	58 890 208	63 478 429	58 890 208	63 478 429
Less: Income forgone - Sale of water	(36 013 407)	(23 734 082)	(36 013 407)	(23 734 082)
Less: Income forgone - Refuse removal	(10 738 447)	(33 773 626)	(10 738 447)	(33 773 626)
Less: Income forgone - Sewerage and sanitation charges	(2 663 602)	-	(2 663 602)	-

3 937 344 604 3 180 241 921 3 937 344 604 3 180 241 921

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25. Rental of facilities and equipment				
Facilities and equipment				
Rental of facilities	24 222 075	22 652 060	24 222 075	22 652 060
26. Licences and permits (non-exchange)				
Dog licences	821 326	876 280	821 326	876 280
Agency fees	11 590 099	11 711 132	11 590 099	11 711 132
	12 411 425	12 587 412	12 411 425	12 587 412
27. Interest (non-exchange)				
Interest - Receivables	40 197 816	39 698 901	40 197 816	39 698 901
28. Other revenue - (exchange)				
Grazing fees	50 062	82 080	50 062	82 080
Fire brigade	-	3 549	-	3 549
Vehicle registrations	25 154 341	21 802 594	25 154 341	21 802 594
Street frontage and administration fees	329 728	119 388	329 728	119 388
Town planning and sub-division fees	4 482 271	3 792 276	4 482 271	3 792 276
Commission	27 304 131	25 993 731	27 304 131	25 993 731
Private works	3 036 827	4 561 584	3 036 827	4 561 584
Tender receipts	422 889	424 194	422 628	335 368
Coupons and clip tickets	95 636	275 383	95 636	275 383
Plan approval fees	9 046 324	7 911 043	9 046 324	7 911 043
Sale of scrap waste	2 107 841	6 675 580	2 107 841	6 675 580
Photocopies	10 708	28 953	10 708	28 953
Insurance	10 939 008	1 123 919	10 939 008	1 123 919
Sale of plants and animals	612	5 261	612	5 261
Admission fees	422 762	3 301 094	422 762	3 301 094
Sundry income	11 495 883	8 660 539	10 948 046	8 012 518
Cemetery fees	10 760 745	7 453 150	10 760 745	7 453 150
	105 659 768	92 214 318	105 111 670	91 477 471
29. Interest received				
Interest revenue				
Call accounts with financial institutions	29 466 407	46 629 258	29 466 407	46 629 258
Bank	11 822 936	24 020 646	11 334 800	23 501 026
Interest charged on trade and other receivables	79 222 714	82 341 327	79 222 714	82 341 327
	120 512 057	152 991 231	120 023 921	152 471 611

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
30. Property rates				
Rates received				
Residential	700 299 379	653 591 040	700 299 379	653 591 040
Commercial	715 134 823	655 608 817	715 134 823	655 608 817
Industrial	136 347 716	129 828 349	136 347 716	129 828 349
Educational	20 228 876	19 190 522	20 228 876	19 190 522
Agricultural	9 172 062	8 962 658	9 172 062	8 962 658
Public Service Infrastructure	695 288	679 928	695 288	679 928
Vacant land	58 140 669	52 352 830	58 140 669	52 352 830
Less: Income forgone	(50 603 680)	(51 858 856)	(50 603 680)	(51 858 856)
	1 589 415 133	1 468 355 288	1 589 415 133	1 468 355 288

Valuations

Residential	63 114 634 400	62 628 411 570
Commercial	25 263 421 350	24 778 387 500
Industrial	4 384 746 000	4 345 255 000
Educational	2 475 707 000	2 487 747 000
Agricultural	3 134 302 000	3 108 705 000
Public Service Infrastructure	270 114 500	264 805 500
Vacant Land	2 974 791 350	2 926 257 100
	101 617 716 600	100 539 568 670

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 4 years and a supplementary valuation at least once a year. The third general valuation in terms of the MPRA was done in 2017 and the implementation date was 1 July 2018. The valuation date was 1 July 2017.

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

Residential	0.012607	0.011619
Business	0.031517	0.029048
Industrial	0.031517	0.029048
Educational	0.008825	0.008133
Agricultural	0.003152	0.002905
Public Service Infrastructure	0.003152	0.002905
Vacant land	0.037820	0.034857

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	2021	2020 *Restated	2021	2020 *Restated

30. 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) Newly developed commercial/ industrial properties with a value of R50 000 000 and above.

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%	15%
Water supply	22.5%	22.5%
Refuse removal service	7.5%	7.5%
Electricity supply	15%	15%
Sewerage service	15%	15%
	75%	75%

3) Senior citizens who are 60 years and above qualify for up to 100% depending on their income level allocated as follows:

Gross monthly income (Rand)	Rebate
0 - 3500	100%
3501 - 5000	85%
5001 - 6500	70%
6501 - 8000	55%
8001 - 9500	40%
9501 - 10500	25%
10501 - 12000	20%
12001 - 13500	15%
13501 - 15000	10%

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 entity may not levy a rate and the following were applied in the 2020/21 financial year:

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.

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
31. Grants and subsidies paid				
Other subsidies				
Buffalo City Metropolitan Development Agency	-	-	42 708 932	39 352 507
Mayoral Social Responsibility	638 774	1 158 320	638 774	1 158 320
Sponsored Events	18 300 083	22 764 226	18 300 083	22 764 226
Other Organisations	2 546 482	2 546 290	2 546 482	2 546 290
Disaster management fund	642 684	29 000 925	642 684	29 000 925
Rural development	1 053 030	4 803 971	1 053 030	4 803 971
Social relief	38 818 270	31 195 125	38 818 270	31 195 125
	61 999 323	91 468 857	104 708 255	130 821 364
32. Government grants and subsidies				
Operating grants				
Government grants - operating projects	126 796 418	112 262 160	126 796 418	112 262 160
Other Government grants and subsidies	1 079 257 076	874 710 816	1 075 985 462	866 980 936
LG SETA Grant - BCMDA	41 662	31 802	-	-
NDPG grant - BCMDA	153 704	-	-	-
	1 206 248 860	987 004 778	1 202 781 880	979 243 096
Capital grants				
Government grant - PPE	1 069 735 518	1 010 413 224	1 069 735 518	1 010 413 224
	2 275 984 378	1 997 418 002	2 272 517 398	1 989 656 320
33. Other revenue - (non-exchange)				
Fire levy	76 338 917	68 707 237	76 338 917	68 707 237
Less: Income forgone - Fire levy	(357 273)	-	(357 273)	-
	75 981 644	68 707 237	75 981 644	68 707 237

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
34. Employee related costs				
Basic emoluments	1 463 172 316	1 370 410 433	1 447 950 744	1 356 844 033
Bonus	544 024	445 458	-	-
Medical aid contributions	110 987 337	103 025 047	110 987 337	103 025 047
UIF	10 362 082	10 432 905	10 275 074	10 353 362
Workmen's Compensation Fund	118 632	94 680	-	-
SDL	187 352	170 365	-	-
Leave pay contributions (Leave pay provision charge)	59 031 529	72 107 932	58 427 141	71 370 639
Pension fund contributions	279 179 734	262 492 534	278 147 734	261 604 783
Overtime payments	156 216 072	152 200 997	156 216 072	152 200 997
Long-service awards	31 421 026	28 081 567	31 421 026	28 081 567
13th Cheques	121 699 793	121 770 287	121 699 793	121 770 287
Car allowance	37 015 098	33 872 225	36 895 098	33 752 225
Housing benefits and allowances	10 530 911	9 941 640	10 482 911	9 893 640
Essential user cost	25 069 833	25 272 381	25 069 833	25 272 381
Group life	8 529 941	7 987 862	8 529 941	7 987 862
Other allowances	74 281 195	74 100 371	74 281 195	74 100 371
Employee benefit obligation net cost	102 398 000	(43 998 087)	102 398 000	(43 998 087)
	2 490 744 875	2 228 408 597	2 472 781 899	2 212 259 107

Other allowances include senior manager allowance packages, acting scarcity, standby, cellphone and accommodation incidental allowances.

Essential user allowances are paid to employees who use their private vehicles for municipal business.

Remuneration of City Manager

Annual Remuneration	1 407 132	1 407 132	1 407 132	1 407 132
Travel Allowance	312 000	312 000	312 000	312 000
Allowance	317 837	321 512	317 837	321 512
UIF	1 813	1 785	1 813	1 785
Medical AID	32 047	28 400	32 047	28 400
Pension Contributions	274 391	274 391	274 391	274 391
	2 345 220	2 345 220	2 345 220	2 345 220

Remuneration of Chief Financial Officer

Annual Remuneration	1 125 706	698 167	1 125 706	698 167
Travel Allowance	343 348	206 773	343 348	206 773
Allowance	136 048	7 262	136 048	7 262
UIF	1 218	1 190	1 218	1 190
Medical AID	57 277	35 939	57 277	35 939
Pension Contributions	202 627	125 670	202 627	125 670
Group Life	9 952	5 968	9 952	5 968
	1 876 176	1 080 969	1 876 176	1 080 969

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

34. Employee related costs (continued)

Remuneration of HOD: Executive Support Services

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	242 766	242 766	242 766	242 766
Allowance	257 682	259 339	257 682	259 339
UIF	1 813	1 785	1 813	1 785
Medical AID	28 350	26 759	28 350	26 759
Pension Contributions	201 765	201 765	201 765	201 765
Group Life	14 900	14 863	14 900	14 863
	1 868 191	1 868 192	1 868 191	1 868 192

Remuneration of HOD: Human Settlements

Annual Remuneration	1 125 706	968 941	1 125 706	968 941
Travel Allowance	344 179	295 843	344 179	295 843
Allowance	123 496	85 882	123 496	85 882
UIF	1 813	1 785	1 813	1 785
Medical AID	57 277	53 908	57 277	53 908
Pension Contributions	202 627	172 449	202 627	172 449
Group Life	21 078	17 939	21 078	17 939
	1 876 176	1 596 747	1 876 176	1 596 747

Remuneration of HOD: Corporate Services

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	240 000	240 000	240 000	240 000
Allowance	241 348	239 984	241 348	239 984
UIF	1 813	1 785	1 813	1 785
Medical AID	45 537	46 930	45 537	46 930
Pension Contributions	218 578	218 578	218 578	218 578
	1 868 191	1 868 192	1 868 191	1 868 192

Remuneration HOD: Health and Public Safety

Annual Remuneration	1 125 706	958 048	1 125 706	958 048
Allowance	529 145	450 095	529 145	450 095
UIF	1 813	1 785	1 813	1 785
Pension Contributions	219 513	186 819	219 513	186 819
	1 876 177	1 596 747	1 876 177	1 596 747

Remuneration of HOD: Infrastructure Services

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	168 000	168 000	168 000	168 000
Allowance	315 442	317 252	315 442	317 252
UIF	1 813	1 785	1 813	1 785
Medical AID	28 555	26 798	28 555	26 798
Pension Contributions	218 578	218 578	218 578	218 578
Group Life	14 888	14 863	14 888	14 863
	1 868 191	1 868 191	1 868 191	1 868 191

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

34. Employee related costs (continued)

Remuneration of HOD: Development and Spatial Planning

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	192 000	192 000	192 000	192 000
Allowance	296 404	298 205	296 404	298 205
UIF	1 813	1 785	1 813	1 785
Medical AID	28 555	26 798	28 555	26 798
Pension Contributions	218 578	218 578	218 578	218 578
Group Life	9 926	9 910	9 926	9 910
	1 868 191	1 868 191	1 868 191	1 868 191

Remuneration of HOD: Economic Development & Agencies

Annual Remuneration	1 125 706	958 048	1 125 706	958 048
Travel Allowance	343 348	295 011	343 348	295 011
Allowance	383 551	341 903	383 551	341 903
UIF	1 813	1 785	1 813	1 785
Medical AID	21 758	-	21 758	-
	1 876 176	1 596 747	1 876 176	1 596 747

Remuneration of HOD: Municipal Services

The position is vacant

The position was vacant for 2020/21. If the position was filled for the 2020/21 financial year the remuneration would have amounted to R1 868 192. Acting allowance to the value of R231 656 was paid in the 2020/21 financial year in respect of the vacant HOD: Municipal Services position.

Remuneration of HOD: Sport Recreation & Community Development

Annual Remuneration	469 044	-	469 044	-
Travel Allowance	110 000	-	110 000	-
Allowance	101 806	-	101 806	-
UIF	772	-	772	-
Medical AID	15 690	-	15 690	-
Pension contributions	84 428	-	84 428	-
	781 740	-	781 740	-

This incumbent was appointed 01 February 2021 as this is a new directorate.

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	2021	2020 *Restated	2021	2020 *Restated
34. Employee related costs (continued)				
BCMDA - Remuneration of Executive Management				
Remuneration of Chief Executive Officer - Appointed 01 October 2017				
Annual Remuneration	2 297 299	2 187 904	-	-
Performance Bonuses	126 225	134 820	-	-
Contributions to UIF, Medical and Pension Funds	229 018	218 171	-	-
	2 652 542	2 540 895	-	-
Remuneration of Chief Financial Officer - Appointed 20 April 2016				
Annual Remuneration	1 543 201	1 445 882	-	-
Performance Bonuses	83 416	74 247	-	-
Contributions to UIF, Medical and Pension Funds	126 937	144 784	-	-
	1 753 554	1 664 913	-	-
Remuneration of Company Secretary/Legal Advisor - Appointed July 2018				
Annual Remuneration	996 792	938 157	-	-
Performance Bonuses	54 769	38 540	-	-
Contributions to UIF, Medical and Pension Funds	100 397	94 569	-	-
	1 151 958	1 071 266	-	-
Corporate and Human Resources (Corporate Services) - Appointed 01 June 2016				
Annual Remuneration	1 311 740	1 239 064	-	-
Performance Bonuses	71 484	63 627	-	-
Contributions to UIF, Medical and Pension Funds	119 762	124 329	-	-
	1 502 986	1 427 020	-	-
Development Facilitation - Appointed 01 July 2016				
Annual Remuneration	1 358 913	1 294 203	-	-
Performance Bonuses	74 666	66 458	-	-
Contributions to UIF, Medical and Pension Funds	136 211	129 783	-	-
	1 569 790	1 490 444	-	-
BCMDA - Remuneration of Executive Management	8 630 830	8 194 538	-	-
Economic entity employee related cost	2 490 744 875	2 228 408 597	2 472 781 899	2 212 259 107
Total employee related costs	2 499 375 705	2 236 603 135	2 472 781 899	2 212 259 107

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	2021	2020 *Restated	2021	2020 *Restated

35. Remuneration of councillors/directors

Executive Mayor	842 556	842 556	842 556	842 556
Deputy Executive Mayor	511 548	680 465	511 548	680 465
Mayoral Committee Members	7 473 796	6 837 197	7 473 796	6 837 197
Speaker	670 099	680 465	670 099	680 465
Chief Whip	640 987	640 987	640 987	640 987
Councillors salaries	25 783 804	27 301 904	25 783 804	27 301 904
Councillors pension contribution	4 257 309	4 505 346	4 257 309	4 505 346
Councillors housing subsidy	2 596 050	2 311 161	2 596 050	2 311 161
Councillors medical aid	2 490 175	2 499 558	2 490 175	2 499 558
Travel allowance	14 499 434	14 292 768	14 499 434	14 292 768
Cellphone Allowance	4 047 651	4 095 092	4 047 651	4 095 092
Board fees	1 936 260	1 635 245	-	-
	65 749 669	66 322 744	63 813 409	64 687 499

2021

	Re-imbursive costs	Board remuneration	Total
C. Sangqu	2 388	228 500	230 888
M. Pango	429	251 500	251 929
T. Bonakele	-	238 500	238 500
L. Njezula	605	246 500	247 105
T. Buswana	5 693	291 500	297 193
S. Boo	145	251 500	251 645
T. Godongwana	-	241 500	241 500
B. H. Canning	-	177 500	177 500
	9 260	1 927 000	1 936 260

2020

	Re-imbursive costs	Board remuneration	Total
S. Kondlo	-	49 500	49 500
C. Sangqu	5 196	229 500	234 696
J. Badenhorst	437	47 500	47 937
N. Petela-Ngcanga	3 668	50 500	54 168
M. Pango	2 687	232 500	235 187
T. Bonakele	9 867	187 500	197 367
L. Njezula	1 881	162 500	164 381
T. Buswana	1 160	204 000	205 160
S. Boo	758	172 000	172 758
T. Godongwana	1 437	137 000	138 437
B. Canning	5 154	130 500	135 654
	32 245	1 603 000	1 635 245

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	2021	2020 *Restated	2021	2020 *Restated

35. Remuneration of councillors/directors (continued)

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 R27 907 313 (2020: R24 198 250).

The House Keeper appointed to maintain the Mayoral house cost to Council amounts to R304 792 (2020: R292 130).

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 R527 267 (2020: R545 906). An amount of R853 106 (2020: R225 032) was incurred for hired vehicles.

The Executive Mayor, Deputy Executive Mayor and Speaker each have full-time bodyguards. Cost of 14 bodyguards amounts to R12 649 603 (2020: R11 739 469).

36. Depreciation and amortisation

Property, plant and equipment	1 399 380 859	1 722 469 248	1 398 959 586	1 722 275 405
Intangible assets	2 587 771	5 281 668	1 827 644	4 539 632
	1 401 968 630	1 727 750 916	1 400 787 230	1 726 815 037

37. Finance costs

Borrowings	25 756 790	32 563 877	25 756 790	32 563 877
Bank	48	-	-	-
	25 756 838	32 563 877	25 756 790	32 563 877

38. Debt impairment

Contributions to debt impairment - Exchange	755 579 974	390 034 721	755 579 974	390 034 721
Contributions to debt impairment - Non-exchange	171 369 729	178 203 013	171 369 729	178 203 013
	926 949 703	568 237 734	926 949 703	568 237 734

39. Bulk purchases

Electricity - Eskom	1 631 905 169	1 528 585 546	1 631 905 169	1 528 585 546
Water	234 111 957	243 753 593	234 111 957	243 753 593
	1 866 017 126	1 772 339 139	1 866 017 126	1 772 339 139

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	2021	2020 *Restated	2021	2020 *Restated

39. Bulk purchases (continued)

Electricity losses

Description	2021 Amount (R)	%	2020 Amount (R)	%
Technical	93 681 946	5.80	88 459 146	5.80
Non-technical	274 535 822	17.00	206 633 000	13.55
	368 217 768	22.80	295 092 146	19.35

Total losses amounted to 322 625 619 kWh (2020: 275 980 843 kWh) of which 82 082 394 kWh (2020: 82 730 191 kWh) are technical losses and 240 543 225 kWh (2020: 193 250 652 kWh) are non-technical losses.

The allowable losses (technical around 5% to 6% and non-technical 5% to 6%) total losses should be below 12% as per NERSA.

Technical Losses: This type of loss is inherent in any electrical network. Technical losses are maintained within the norm by upgrading, replacing and re-new infrastructure. BCMM has invested a substantial amount of capital into the electrical network. It is calculated that the technical losses are within industry norms of 6%.

Non-technical Losses: Illegal connections, meter tampering, electrical faults and billing errors.

The main contributor to the non-technical losses is the illegal connections in informal areas. These informal areas are growing due to the influx of people into the city. The invasion of land is being dealt with through legal avenues, but this has not stopped the mushrooming illegal settlements. The Electricity and Energy's Services Departments Revenue Protection Unit remove illegal connections on a daily basis. The long-term plan to reduce the losses from illegal connections is the electrification of informal dwellings. The Council is in the process of considering a policy on site and services wherein the informal dwellings will be relocated to areas suitable for services to be provided.

While the biggest contributor to non-technical losses is caused by illegal connections, other factors such as meter tampering by legal consumers while tampering takes place in all areas of BCMM, the occurrence of tampering is high in low income areas, which have a high number of illegal connections. In these areas tampering is also harder to control due to community action during meter inspections which put staff at risk. Tampering in Industrial and commercial areas is also found but this is usually perpetrated by expert syndicates and is harder to identify. The smart metering project will assist with identifying this type of tampering.

A pilot project to test the policy is in progress in the area of Silvertown in Ward 11. As required by the standard operating procedure, the spatial planning and human settlement requirements which need to be completed first are in progress, and once completed electrification will take place. The work being completed by Spatial Planning and Human Settlement is required to ensure safe implementation of electrification.

To-date, 7482 informal houses have received a formal electricity connection to the BCMM electricity grid, which should prevent illegal electricity connections. BCMM have also embarked on a smart metering retrofit project, whereby all meters will be inspected for meter tampering. Some 13 000 non-purchasing prepayment meters will be targeted by this process and financial recoveries made when meter tampering is discovered.

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	2021	2020 *Restated	2021	2020 *Restated

39. Bulk purchases (continued)

Water losses

Description	2021 Amount (R)	%	2020 Amount (R)	%
Technical	66 722 408	19.28	69 286 408	19.94
Non-technical	58 773 101	16.99	56 858 159	16.37
	125 495 509	36.27	126 144 567	36.31

Total losses amounted to 21 818 438 KI (2020: 21 513 206 KI) of which 11 600 246 KI (2020: 11 816 385 KI) are technical losses and 10 218 192 KI (2020: 9 696 821 KI) 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 for. 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 through the implementation of water conservation and water demand measures which includes pipe replacement, water meter replacement, etc.

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40. Contracted services				
Outsourced Services				
Alien Vegetation Control	2 936 410	4 125 278	2 936 410	4 125 278
Animal Care	1 440 000	1 438 960	1 440 000	1 438 960
Burial Services	431 770	186 716	431 770	186 716
Beaches	110 423	-	110 423	-
Catering Services	2 986 552	9 113 960	2 986 552	9 113 960
Cleaning Services	140 320	481 113	140 320	481 113
Clearing and Grass Cutting Services	3 269 275	3 118 556	3 269 275	3 118 556
Hygiene Services	46 327	97 498	46 327	97 498
Internal Auditors	117 359	1 053 690	117 359	1 053 690
Litter Picking and Street Cleaning	21 855 796	20 860 286	21 855 796	20 860 286
Meter Management	1 402 527	1 185 816	1 402 527	1 185 816
Medical Services [Medical Health Services & Support]	29 847	40 958	29 847	40 958
Personnel and Labour	29 915 656	17 196 478	29 915 656	17 196 478
Professional Staff	7 445 330	11 617 458	7 445 330	11 617 458
Connection/Dis-connection	7 159 304	13 656 622	7 159 304	13 656 622
Refuse Removal	4 817 232	8 683 658	4 817 232	8 683 658
Removal of Structures and Illegal Signs	-	1 695 428	-	1 695 428
Security Services	2 772 261	1 746 306	162 000	164 255
Sewerage Services	-	115 280	-	115 280
Traffic Fines Management	5 037 953	2 981 716	5 037 953	2 981 716
Transport Services	-	672 801	-	672 801
Water Tankers	-	633 919	-	633 919
Consultants and Professional Services				
Business and Advisory	27 461 798	36 320 821	21 691 760	33 902 195
Infrastructure and Planning	5 453 705	3 182 075	527 383	2 457 960
Laboratory Services	351 939	284 262	351 939	284 262
Legal Cost	25 365 299	33 897 347	25 277 299	33 897 347
Contractors				
Artists and Performers	90 000	157 209	90 000	157 209
Audio-visual Services	-	298 511	-	298 511
Building	2 158 148	4 326 718	2 158 148	4 326 718
Electrical	9 688 029	8 779 732	9 688 029	8 779 732
Event Promoters	2 557 481	8 862 139	2 557 481	8 862 139
Fire Services	-	1 900	-	1 900
Inspection Fees	168 489	146 500	168 489	146 500
Management of Informal Settlements	8 386	882	8 386	882
Medical Services	5 322	26 830	5 322	26 830
Pest Control and Fumigation	641 436	126 436	641 436	126 436
Plants, Flowers and Other Decorations	430 210	911 468	430 210	911 468
Transportation	732 635	2 505 370	732 635	2 505 370
Safeguard and Security	13 491 155	5 397 485	13 491 155	5 397 485
Sewerage Services	74 627 788	58 345 798	74 627 788	58 345 798
Stage and Sound Crew	60 222	110 812	60 222	110 812
	255 206 384	264 384 792	241 811 763	259 660 000

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
41. General expenses				
Advertising	14 166 826	10 945 669	14 079 689	10 815 054
Auditors remuneration	21 686 966	16 770 993	20 882 918	16 055 514
Bank charges	4 864 320	4 734 083	4 852 655	4 710 514
Cleaning	73 082	301 473	73 082	301 473
Commission paid	40 534 479	41 212 067	40 534 479	41 212 067
Consumables	35 349 775	39 479 903	34 834 878	38 291 796
Entertainment	1 408 560	2 769 810	1 378 771	2 642 666
Fines and penalties	47 286	-	-	-
Hire	156 133 595	132 640 619	155 973 615	132 114 776
Insurance	33 605 600	31 293 160	33 579 537	31 266 968
Bursaries	110 426	77 340	-	-
Conferences and seminars	1 576 634	4 187 336	1 576 634	4 187 336
IT expenses	44 220 884	41 573 764	43 227 030	41 161 606
Marketing	1 580 645	1 754 241	1 565 012	1 738 441
Levies	16 469 623	15 384 384	16 469 623	15 384 384
Magazines, books and periodicals	260 749	344 045	260 749	344 045
Medical expenses	203 355	69 305	-	-
Motor vehicle expenses	8 896 351	7 696 355	8 896 351	7 696 355
Fuel and oil	53 504 809	58 557 627	53 504 809	58 557 627
Postage and courier	9 726 576	6 327 683	9 694 951	6 284 735
Printing and stationery	4 565 078	6 664 480	4 525 330	6 589 809
Promotions	512 768	748 378	266 521	486 768
Project maintenance costs	412 500	990 000	-	-
License fees	2 372 965	2 766 174	2 372 965	2 766 174
Special events	502 433	2 172 731	502 433	2 172 731
Staff welfare	91 808	220	-	-
Subscriptions and membership fees	16 225 628	15 714 822	16 209 207	15 701 612
Telephone and fax	24 240 704	25 273 883	23 952 917	25 036 082
Training	13 777 969	13 343 694	13 356 408	12 927 820
Travel - local	6 880 482	13 187 600	6 409 022	11 908 119
Travel - overseas	226 830	1 673 345	226 830	1 673 345
Title deed search fees	114 606	360 370	114 606	360 370
Utilities	44 751	106 204	-	-
Uniforms	24 978 142	20 884 805	24 558 017	20 458 260
Lease rentals on operating lease	37 008 018	36 544 826	35 927 466	35 710 820
Placement fees	13 000	33 230	-	-
Remuneration to WARD Committees	6 954 766	8 136 938	6 913 208	8 086 792
Corporate activities	-	14 041	-	-
Other expenses	52 893 053	49 568 515	59 332 903	50 654 809
	636 236 042	614 304 113	636 052 616	607 298 868
42. Repairs and maintenance				
Infrastructure	180 719 487	185 367 107	180 719 487	185 367 107
Community assets	8 937 510	6 990 990	8 937 510	6 990 990
Heritage assets	9 200	9 150	9 200	9 150
Other assets	29 381 702	34 830 299	28 032 075	34 527 237
Computer Equipment	603 662	671 514	603 662	671 514
Furniture and Office Equipment	6 830 509	5 146 418	6 830 509	5 146 418
Machinery and Equipment	132 673 511	132 206 424	132 673 511	132 206 424
Transport Assets	26 713 880	27 307 789	26 713 880	27 307 789
	385 869 461	392 529 691	384 519 834	392 226 629

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

43. Fair value adjustments

Investment property (Fair value model)	3	29 523 248	(1 683 300)	29 523 248	(1 683 300)
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44. (Loss) on disposal of assets

Loss on disposal of property, plant and equipment	4	16 625 064	6 567 862	16 622 245	6 616 768
Loss on disposal of investment property	3	-	338 700	-	338 700
		16 625 064	6 906 562	16 622 245	6 955 468

Refer to note 3 and 4 for proceeds on disposal of assets.

45. Auditors' remuneration

Fees		21 686 966	16 770 993	20 882 918	16 055 514
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46. 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 income for Income Tax purposes, with an assessed loss balance, therefore the recognition of deferred tax in the current period would not necessarily be in line with the Accounting Standard. IAS 12 requires that there should be probability of the agency deriving taxable income which would reduce the deferred tax in future. Disclosed below therefore its 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. 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		241 491	628 330	-	-
Unused tax losses not recognised as deferred tax assets		42 206 047	15 450 631	-	-
		42 447 538	16 078 961	-	-

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
47. Cash generated from operations				
Surplus/(deficit)	662 200 387	(77 364 940)	659 642 985	(86 784 721)
Adjustments for:				
Depreciation and amortisation	36 1 401 968 630	1 727 750 916	1 400 787 230	1 726 815 037
Loss on sale of assets	44 16 625 064	6 906 562	16 622 245	6 955 468
Loss/(income) from equity accounted investments	7 26 627 528	(105 683 740)	26 627 528	(105 683 740)
Fair value adjustments	43 (29 523 248)	1 683 300	(29 523 248)	1 683 300
Impairment deficit		- 51 531	-	-
Debt impairment	38 926 949 703	568 237 734	926 949 703	568 237 734
Movements in operating lease liability	8 47 859	51 545	-	-
Movements in retirement benefit assets and liabilities	9 102 398 000	(43 998 087)	102 398 000	(43 998 087)
Movements in provisions	18 44 559 870	132 089 409	37 940 017	130 847 956
PPE (Transfers / Adjustments)	4 -	(56 629 565)	-	(56 629 565)
Changes in working capital:				
Inventories	10 (2 557 393)	(30 189)	(2 570 130)	(4 901)
Consumer debtors	13 (1 153 205 721)	(419 378 416)	(1 153 089 670)	(419 664 741)
Other receivables from non-exchange transactions	12 (276 720 698)	(424 012 360)	(276 720 700)	(424 012 359)
Prepayments	11 (97 604)	-	-	-
Trade payables from exchange transactions	20 37 613 905	114 252 376	41 441 982	113 141 299
VAT	21 (35 770 826)	153 230 057	(35 566 204)	153 421 797
Unspent conditional grants and receipts	16 (269 360 167)	320 896 287	(267 618 366)	319 956 454
Consumer deposits	22 4 082 656	6 034 430	4 082 656	6 034 430
	1 455 837 945	1 904 086 850	1 451 404 028	1 890 315 361

48. Operating leases - as lessee (expense)

Minimum lease payments due - Buildings

- within one year	7 396 885	3 868 607	6 223 835	2 695 556
- in second to fifth year inclusive	6 577 985	1 874 064	5 893 706	16 734
	13 974 870	5 742 671	12 117 541	2 712 290

Operating lease payments represent rentals payable by the entity 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 agreement between BCMM and third parties

Minimum lease payments due - Printing Machines

- within one year	1 889 425	4 282 795	1 836 726	4 212 383
- in second to fifth year inclusive	1 093 995	173 904	1 082 370	109 580
	2 983 420	4 456 699	2 919 096	4 321 963

Operating lease payments represent rentals payable by the entity 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.

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

49. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Community (including housing)	122 852 724	185 726 209	122 852 724	185 726 209
• Infrastructure	265 390 363	79 489 712	265 390 363	79 489 712
• Other	42 388 116	97 755 458	42 388 116	97 755 458
	430 631 203	362 971 379	430 631 203	362 971 379

Total capital commitments

Already contracted for but not provided for	430 631 203	362 971 379	430 631 203	362 971 379
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Authorised operational expenditure

Already contracted for but not provided for

• Proposed East London Beachfront Precinct Project - Court Crescent	48 031 805	82 560 038	-	-
• Proposed Upgrade of Water World	43 664 254	95 704 369	-	-
• Other	26 423 293	18 271 331	-	-
	118 119 352	196 535 738	-	-

Total operational commitments

Already contracted for but not provided for	118 119 352	196 535 738	-	-
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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 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.

50. Contingencies

Litigation issues	1 224 800 486	1 185 951 582	1 224 800 486	1 185 951 582
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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.

Labour issues	18 729 102	54 198 620	18 729 102	54 198 620
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These are instances whereby labour disputes have resulted in possible claims by employees.

Insurance issues	44 406 592	44 876 958	44 406 592	44 876 958
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These are instances whereby insurance claims have been instituted against Council by various third parties. Advice 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.

	1 287 936 180	1 285 027 160	1 287 936 180	1 285 027 160
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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

51. Related parties

Relationships	
Controlled entities	Buffalo City Metropolitan Development Agency SOC Ltd
Associates	Refer to note 7
Members of key management	Refer to note 34 and 35

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 entity issued grants of R40 139 554 to BCMDA during the current financial year (2020: R39 352 506) (VAT exclusive).

BCMDA has trade receivables of R9 257 544 (2020: R5 752 632) (VAT inclusive) and trade payables of R0 (2020: R0) which relates to transactions with BCMM.

BCMM reimbursed BCMDA with an amount of R80 498 124 (2020: R13 811 170) (VAT exclusive) for the implementation of the BCMDA East London Beachfront and Water World Project.

Agency fees amounting to R6 439 850 (2020: R1 104 893) (VAT exclusive) were paid to BCMDA for projects implemented and administered on behalf of BCMM.

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 currently receives European funding from the National Treasury GBS allocation. BCMM is currently rolling out the Duncan Village Waste Buy Back Centre through BCMDA as the implementing agent. In the current year under review, an amount of R2 569 375 (VAT inclusive) was transferred to BCMDA, who have only spent R153 704 (VAT exclusive) of the transferred funds.

BCMM paid an amount of R4 012 433 (2020: R3 246 476) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2020/21 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	8
Audit and Risk Committee	Shared with parent municipality	4
Executive management	Agency Management	4
Councillors	Shareholder Representative	1

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

52. 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 2020

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			11 086 346 036	-	11 086 346 036
Property, plant and equipment - Various	4	a	-	(23 242 930)	(23 242 930)
Receivables from exchange transactions - Refuse	13	f	-	(30 871 270)	(30 871 270)
Receivables from non-exchange transactions - Property rates	12	j	-	(1 122 009)	(1 122 009)
Trade payables from exchange transactions - Other creditors	20	g	-	(22 361 732)	(22 361 732)
Trade payables from exchange transactions - Retention monies	20	i	-	6 192 565	6 192 565
Trade payables from exchange transactions - Trade payables	20	e	-	1 837 556	1 837 556
Inventories - Write downs	10	b	-	1 636 606	1 636 606
			- 11 086 346 036	(67 931 214)	11 018 414 822

Revaluation reserve

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			9 455 486 561	-	9 455 486 561
Property, plant and equipment - Various	4	a	-	5 078 032	5 078 032
			- 9 455 486 561	5 078 032	9 460 564 593

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2021	2020 *Restated	2021	2020 *Restated		
52. Prior-year adjustments (continued)						
Economic entity - 2020						
Detail of Statement of Financial Position	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Inventories - Electricity store	10	b,c	11 695 718	1 161 798	(633 530)	12 223 986
Inventories - Workshop store	10	b,c	217 946	-	(25 395)	192 551
Inventories - Unsold water	10	b,c	13 953 595	1 129 206	(2 221 140)	12 861 661
Inventories - General stores	10	b,c	10 568 810	-	(1 191 690)	9 377 120
Inventories - Inventories (write-downs)	10	b,c	(4 546 556)	(654 405)	4 071 755	(1 129 206)
Investments in associates	7	d	702 798 644	277 391	-	703 076 035
Property, plant and equipment - Community buildings	4	a	878 646 097	77 328 709	-	955 974 806
Property, plant and equipment - Electricity infrastructure	4	a	3 423 468 661	102 958 266	-	3 526 426 927
Property, plant and equipment - Furniture and fixtures	4	a	56 823 725	57 430 659	-	114 254 384
Property, plant and equipment - Motor vehicles	4	a	328 139 983	493 496	-	328 633 479
Property, plant and equipment - Other properties	4	a	1 024 267 556	10 130 379	-	1 034 397 935
Property, plant and equipment - Plant and equipment	4	a	38 212 146	140 893	-	38 353 039
Property, plant and equipment - Recreational facilities	4	a	242 697 802	5 993 540	-	248 691 342
Property, plant and equipment - Roads	4	a	4 655 765 925	134 446 061	-	4 790 211 986
Property, plant and equipment - Wastewater network	4	a	1 765 573 502	7 642 994	-	1 773 216 496
Property, plant and equipment - Water network	4	a	2 468 644 047	130 372 106	-	2 599 016 153
Property, plant and equipment - WIP	4	a	4 286 106 730	(577 269 711)	-	3 708 837 019
Receivables from exchange transactions - Electricity Gross	13	f	502 069 336	10 807 281	-	512 876 617
Receivables from exchange transactions - Electricity Impairment	13	f	(266 770 276)	44 407 301	-	(222 362 975)
Receivables from exchange transactions - Refuse Gross	13	f	500 974 498	(55 575 993)	-	445 398 505
Receivables from exchange transactions - Refuse Impairment	13	f	(350 264 423)	134 828 831	-	(215 435 592)
Receivables from exchange transactions - Wastewater Gross	13	f	361 213 741	4 879 059	-	366 092 800
Receivables from exchange transactions - Wastewater impairment	13	f	(274 581 712)	103 595 661	-	(170 986 051)
Receivables from exchange transactions - Water Gross	13	f	1 017 891 372	(29 165 003)	-	988 726 369
Receivables from exchange transactions - Water Impairment	13	f	(477 016 787)	(377 283 007)	-	(854 299 794)
Receivables from non-exchange transactions - Allowance for impairment	12	f	(637 505 722)	133 088 086	-	(504 417 636)
Receivables from non-exchange transactions - Other receivables (billing)	12	f	258 546 167	6 720 177	-	265 266 344
Receivables from non-exchange transactions - Property rates Gross	12	j	850 355 134	(166 556)	-	850 188 578
Trade payables from exchange transactions - Other creditors	20	g	(88 344 513)	(34 128 156)	(119 769)	(122 592 438)

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2021	2020 *Restated	2021	2020 *Restated		
52. Prior-year adjustments (continued)						
Trade payables from exchange transactions - Retention monies	20	i	(112 038 029)	6 174 264	-	(105 863 765)
Trade payables from exchange transactions - Trade payables	20	e	(734 353 477)	8 347 008	119 769	(725 886 700)
VAT Receivable/(Payable)	21		4 090 392	(55 380 331)	-	(51 289 939)
Revaluation reserve	15		(9 455 486 561)	(5 078 032)	-	(9 460 564 593)
Accumulated surplus			(11 081 909 965)	152 348 026	-	(10 929 561 939)
Summary of Statement of Financial Position	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Inventories	10	b,c	32 832 319	1 636 599	-	34 468 918
Receivables from exchange transactions - BCMDA		l	60 710	-	(60 710)	-
Receivables from non-exchange transactions	12	f,j	540 501 300	139 641 707	-	680 143 007
VAT receivable		f	4 588 458	(4 588 458)	-	-
Receivables from exchange transactions	13	f,l	1 347 270 204	(163 505 870)	60 710	1 183 825 044
Cash and cash equivalents	14		1 373 710 707	-	-	1 373 710 707
Investment property	3		406 525 752	-	-	406 525 752
Property, plant and equipment	4	a	19 251 388 772	(50 332 608)	-	19 201 056 164
Intangible assets	5		14 974 783	-	-	14 974 783
Heritage assets	6		50 513 440	-	-	50 513 440
Investments in associates	7	d	702 798 644	277 391	-	703 076 035
Borrowings	17		(54 395 605)	-	-	(54 395 605)
Operating lease liability	8		(51 545)	-	-	(51 545)
Trade payables from exchange transactions	20	e,g,i	(1 212 933 095)	(19 606 867)	-	(1 232 539 962)
VAT Payable	21	f	-	(50 791 873)	-	(50 791 873)
Consumer deposits	22		(70 143 449)	-	-	(70 143 449)
Employee benefit obligation	9		(50 982 000)	-	-	(50 982 000)
Unspent conditional grants and receipts	16		(531 506 569)	-	-	(531 506 569)
Provisions	18		(378 296 343)	(1)	-	(378 296 344)
Borrowings	17		(233 184 927)	-	-	(233 184 927)
Employee benefit obligation	9		(633 835 000)	-	-	(633 835 000)
Provisions	18		(10 952 089)	-	-	(10 952 089)
Revaluation reserve	15	a	(9 455 486 561)	(5 078 032)	-	(9 460 564 593)
Accumulated surplus		a,c	(11 093 397 906)	152 348 012	-	(10 941 049 894)
			-	-	-	-

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Figures in Rand	Economic entity		Controlling entity			
	2021	2020 *Restated	2021	2020 *Restated		
52. Prior-year adjustments (continued)						
Statement of financial performance						
Detail of Statement of Financial Performance						
	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Contracted services - Consultants and professional services - Business and advisory	40	e,l	27 801 293	(935 775)	9 455 303	36 320 821
Contracted services - Consultants and professional services - Infrastructure and Planning	40	l	2 457 960	-	724 115	3 182 075
Contracted services - Consultants and professional services - Legal cost	40	e	34 118 788	(221 441)	-	33 897 347
Contracted services - Contractors - Plants, flowers and other decorations	40	e	912 074	(606)	-	911 468
Contracted services - Contractors - Graphic Designers	40		492 174	-	(492 174)	-
Contracted services - Contractors - Safeguard and security	40	e	5 397 523	(38)	-	5 397 485
Contracted services - Outsources services - Alien vegetation control	40	e	4 150 678	(25 400)	-	4 125 278
Contracted services - Outsources services - Catering services	40	e	9 117 410	(3 450)	-	9 113 960
Contracted services - Outsources services - Hygiene services	40	e	98 933	(1 435)	-	97 498
Contracted services - Outsources services - Sewerage services	40	e	256 040	(140 760)	-	115 280
Contracted services - Outsources services - Security services	40	l	164 255	-	1 582 051	1 746 306
Contracted services - Outsources services - Professional Staff	40	l	25 829 617	-	(14 212 159)	11 617 458
Contracted services - Outsources services - Refuse removal	40	l	23 283 347	-	(14 599 689)	8 683 658
Contracted services - Previously reported - Other contractors	40	l,m	14 535 285	(13 811 170)	(724 115)	-
Contracted services - Previously reported - Specialist services	40	l	266 937	-	(266 937)	-
Contracted services - Previously reported - Operating leases	40	l	834 006	-	(834 006)	-
Contracted services - Previously reported - Security services	40	l	1 582 051	-	(1 582 051)	-
Contracted services - Previously reported - Information Technology Services	40	l	81 468	-	(81 468)	-
Debt impairment - Contribution to debt impairment - Exchange	38	k	425 558 601	(35 523 880)	-	390 034 721
Debt impairment - Contribution to debt impairment - Non-exchange	38	k	176 282 916	1 920 097	-	178 203 013
Depreciation and amortisation - Property, plant and equipment	36	a	1 704 389 946	18 079 302	-	1 722 469 248
Government grants and subsidies - Government grant (capital) - BCMDA	32	m	(13 811 170)	13 811 170	-	-
Employee related cost - Basic emoluments	34	g	1 348 374 063	9 997 467	12 038 903	1 370 410 433
Employee related cost - Car allowance	34		33 242 536	-	629 689	33 872 225
Employee related cost - Housing benefits and allowances	34		7 930 825	(1)	2 010 816	9 941 640

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	2021	2020 *Restated	2021	2020 *Restated	
52. Prior-year adjustments (continued)					
Employee related cost - Other allowances	34	68 582 653	2	5 517 716	74 100 371
Employee related cost - Pension fund contributions	34	241 376 756	21 117 563	(1 785)	262 492 534
Employee related cost - UIF	34	10 431 120	-	1 785	10 432 905
Employee related cost - Employee benefit obligation net cost	34	(24 649 482)	(19 348 605)	-	(43 998 087)
General expenses - Conference and seminars	41	3 895 345	-	291 991	4 187 336
General expenses - Consumables	41	37 874 333	(122 693)	1 728 263	39 479 903
General expenses - Lease rental on operating lease	41	35 690 070	20 750	834 006	36 544 826
General expenses - Motor vehicle expenses	41	7 999 360	(303 005)	-	7 696 355
General expenses - Other expenses	41	52 401 672	(1 104 894)	(1 728 263)	49 568 515
General expenses - Printing and stationary	41	6 677 458	-	(12 978)	6 664 480
General expenses - Special events	41	2 258 982	(86 251)	-	2 172 731
General expenses - Subscriptions and membership fees	41	15 993 835	-	(279 013)	15 714 822
Interest received - Interest charged on receivables	29	(82 887 687)	546 360	-	(82 341 327)
Other revenue - (exchange) - Sundry income	28	(8 013 458)	1 104 894	(1 751 975)	(8 660 539)
Fees earned		(1 751 975)	-	1 751 975	-
Property rates - Agricultural	30	(8 977 058)	14 400	-	(8 962 658)
Property rates - Commercial	30	(655 549 322)	(59 495)	-	(655 608 817)
Property rates - Industrial	30	(129 876 859)	48 510	-	(129 828 349)
Property rates - Residential	30	(652 760 495)	(830 545)	-	(653 591 040)
Property rates - Vacant land	30	(52 224 507)	(128 323)	-	(52 352 830)
Repairs and maintenance	42	382 547 674	9 982 017	-	392 529 691
Service charges - Sale of electricity	24	(1 779 478 165)	2 636 203	-	(1 776 841 962)
Service charges - Sale of water	24	(728 647 093)	44 289 598	-	(684 357 495)
Service charges - Less income forgone - Refuse	24	-	33 773 626	-	33 773 626
Share of (surplus)/deficit of associate		(105 406 358)	(277 382)	-	(105 683 740)
Surplus for the year		-	-	84 416 810	-

Summary of Statement of Financial Performance

	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	24	k	(3 260 941 348)	80 699 427	-	(3 180 241 921)
Rental of facilities and equipment	25		(22 652 060)	-	-	(22 652 060)
Fees earned		l	(1 751 975)	-	1 751 975	-
Other revenue - (exchange)	28	l,m	(91 567 237)	1 104 894	(1 751 975)	(92 214 318)
Interest received	29	j	(153 537 591)	546 360	-	(152 991 231)
Property rates	30		(1 467 399 835)	(955 453)	-	(1 468 355 288)
Licences and Permits (non-exchange)	26		(12 587 412)	-	-	(12 587 412)
Interest (non-exchange)	27		(39 698 901)	-	-	(39 698 901)
Government grants & subsidies	32	m	(2 011 229 172)	13 811 170	-	(1 997 418 002)
Other revenue - (non-exchange)	33		(68 707 237)	-	-	(68 707 237)
Fines			(10 863 546)	-	-	(10 863 546)
Fuel levy			(547 497 000)	-	-	(547 497 000)
Employee related cost	34	g	2 204 639 585	11 766 426	20 197 124	2 236 603 135
Remuneration of councillors	35		66 322 743	-	-	66 322 743
Depreciation and amortisation	36	a	1 709 671 614	18 079 302	-	1 727 750 916
Finance costs	37		32 563 877	-	-	32 563 877

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52. Prior-year adjustments (continued)							
Debt Impairment	38	601 841 517	(33 603 783)	-	568 237 734		
Repairs and maintenance	42	a,e	382 547 674	9 982 017	-	392 529 691	
Bulk purchases	39		1 772 339 139	-	-	1 772 339 139	
Contracted services	40	e,l,m	300 555 998	(15 140 076)	(21 031 130)	264 384 792	
Grants and subsidies paid	31		91 468 857	-	-	91 468 857	
General expenses	41	e,l,m	615 066 199	(1 596 092)	834 006	614 304 113	
Loss on disposal of assets	44		6 906 562	-	-	6 906 562	
Fair value adjustments	43		1 683 300	-	-	1 683 300	
Impairment loss			51 531	-	-	51 531	
Share of surplus of associate		d	(105 406 358)	(277 382)	-	(105 683 740)	
Inventories losses/write-downs			1 129 206	-	-	1 129 206	
(Surplus)/deficit for the year			-	(7 051 870)	84 416 810	-	77 364 940

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52. Prior-year adjustments (continued)

Cash flow statement

Controlling entity - 2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services	69	4 693 899 666	25 092 827	4 718 992 493
Government grants & subsidies	69	2 011 229 172	(13 811 170)	1 997 418 002
Interest income	27&29	193 236 492	(546 360)	192 690 132
Employee costs & Councillors remuneration	34&35	(2 270 962 328)	(31 963 550)	(2 302 925 878)
Suppliers	69	(2 664 722 579)	(4 801 443)	(2 669 524 022)
Finance costs	37	(32 563 877)	-	(32 563 877)
		1 930 116 546	(26 029 696)	1 904 086 850
Cash flow from investing activities				
Purchase of property, plant and equipment	4	(1 663 693 959)	15 705 688	(1 647 988 271)
Proceeds from sale of property, plant and equipment	4	49 255	10 324 007	10 373 262
Purchase of investment property	3	(6 015 752)	-	(6 015 752)
Purchase of intangible assets	5	(404 741)	-	(404 741)
		(1 670 065 197)	26 029 696	(1 644 035 502)
Cash flow from financing activities				
Net movement on borrowings	17	(57 973 556)	-	(57 973 556)

Other disclosure items

	Note	As previously reported	Correction of error	Restated
Irregular expenditure - Opening balance	59	2 881 067 042	39 687 467	2 920 754 509
Irregular expenditure - Additions	59	229 001 616	96 749 713	325 751 329
Commitments	49	462 754 779	(99 783 400)	362 971 379
Fruitless and wasteful expenditure	58	15 764 152	(2 741 368)	13 022 784
		3 588 587 589	33 912 412	3 622 500 001

Explanation of errors

- Reclassification of work in progress not recognised as property, plant and equipment by the Municipality in previous financial years due to various project management matters that prevented capitalisation at the time.
- Inventory write downs were incorrectly captured in the 20/21 financial year. The write downs related to the prior period.
- Disclosure of inventory was changed to show only the net movement of write-downs and not a cumulative total.
- The investment in associate East London IDZ, adjusted their prior 2019/20 figures in their audited financial statements, therefore a prior year adjustment had to be done to align the carrying value of the investment in associate.
- Duplicate system generated credit and debit notes made on creditor control accounts arising from various general expenses for 2019/20 financial year due to accruals.

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52. Prior-year adjustments (continued)

f) For the 2019/2020 annual financial statements there were adjustments passed in respect of receivables (exchange and non-exchange) including prior period. The adjustments were made only against capital and not VAT as with previous years. Therefore VAT relating to the capital charges is being adjusted for the 2019/20 (prior period) and 2018/19 (prior prior period).

g) The error is in respect of results of the job evaluation process which was undertaken by BCMM with the calculations back dated from 1 July 2015 and payment done in the 2020/21 financial year.

h) Reclassified actual employer benefits paid as per actuarial valuation to post-retirement obligation net cost.

i) Retention reversed due to contract being terminated due to poor performance. Retention therefore forfeited.

j) The error resulted because of changes in the market value or categories which were processed on the supplementary valuation in the current financial year which the effective dates were for prior years before July 2020.

k) Prior period billing errors corrected.

l) Reclassification of transactions relating to the entity in order to realign these entity transactions to the controlling entity.

m) Elimination of intergroup transactions that were erroneously excluded in the previous year.

53. Risk management

Financial risk management

The economic entity'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 economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity 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 14), deteriorating audit outcomes, low collection rates and trade debtors (refer note 12 and 13). The entity 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.

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	2021	2020 *Restated	2021	2020 *Restated

53. Risk management (continued)

Market risk

Interest rate risk

The entity 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 entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity 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	9.50 %	2 366 768 131	-	-	-	-
Cash in current banking institutions	3.51 %	231 362 158	-	-	-	-
Call Investments deposits	3.51 %	894 631 683	-	-	-	-
Trade and other payables - extended credit terms	3.00 %	916 247 236	-	-	-	-
Long term borrowings	9.16 %	45 190 555	49 140 564	30 246 178	28 813 896	79 793 734

Sensitivity Analysis of Market Risk

Effect of a 1% change in the interest rate	Current interest rate	Value at 30 June 2021	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables - normal credit terms	9.50 %	2 366 768 131	2 161 432 083	2 181 353 116	2 141 871 612
Cash in current banking institutions	3.51 %	231 362 158	223 516 721	225 697 159	221 378 010
Call Investments deposits	3.51 %	894 631 683	864 294 931	872 726 254	856 024 957
Trade and other payables - extended credit terms	3.00 %	916 247 236	889 560 423	898 281 604	881 006 958
Short term borrowings	9.16 %	45 190 555	41 398 456	41 781 208	41 022 653
Long term borrowings	9.16 %	187 994 372	172 219 102	173 811 365	170 655 748

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.

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53. Risk management (continued)

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 entity consists of debt, which includes the borrowings, cash and cash equivalents and equity.

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

The entity is in an enviable position of having access to additional long term facilities in order to invest in the replacement of infrastructure assets.

54. 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.

55. Events after the reporting date

There are no events after reporting date to be disclosed

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56. COVID-19 Impact

Assets

The entity is continuing to experience a change in the use of community assets and assets that are used for sport and recreation purposes because of the COVID-19 related lockdown regulations and travel lockdowns. This most affected was all the revenue generating assets throughout the City.

There are also a few Municipal properties that are used for COVID-19 related Council activities such as creating awareness to the communities and opening a vaccination centre for Municipal officials. The Municipality did not experience a lot of property invasion even though there were a few reported cases of vandalism.

The impact on construction of new assets has not been severe because the economic activities and particularly the construction sector was operating throughout the financial year without a level 5 hard lockdown.

COVID-19 did not materially affect all the other activities and events that relate to the operational activities of asset management due to the fact that the City was operational whilst adhering to the lockdown rules throughout the financial year.

Liabilities

There are no COVID-19 impacts affecting Liabilities for the financial year under review.

Revenue

1. Traffic Services closed on the 27 March 2020 and traffic operations only resumed on 1st June 2020 with limited services as well as disruptions in operations as buildings were being closed on a regular basis for decontamination.
2. Traffic services suspended from 27 March 2020 to 01 June 2020 were the renewal and applications of motor vehicle licences and registrations, renewals and applications of driving licences, learners, roadworthy certificates, testing of applicants and Professional Driving Permits.
3. Traffic Services were not yet fully operational by the end of the financial year meaning less members of the public were allowed to enter the building at a given time. The department uses an appointment system where the public are given a date and time to come in and renew or register their vehicles, apply for drivers' learners and PRPDs and roadworthy of vehicles this is to ensure compliance with the COVID-19 regulations.
4. Members of the public were unable to pay for traffic fines, fines were not issued, cases pending at court were placed on hold and the mobile office could not be deployed for operations.
5. Further to the above during this period the Traffic fines court related matters were placed on hold during level 5 to level 2 whereby courts were only dealing with urgent matters which did not include traffic matters. The Magistrate advised that any court appearances (offenders on the court roll who are to appear in court) warrants that cannot be executed and summonses that cannot be placed on the court roll. Any Section 56 notices that were issued during the lockdown period were struck off the court roll.
6. The appointment of process servers was placed on hold as well due to the Lockdown as they would be contravening the COVID-19 restrictions when serving summons.
7. Revenue on grants can only be recognized when conditions are met. COVID-19 lockdown restrictions have negatively affected performance on grants as it delayed and disrupted implementation of engineering and construction projects.
8. The entity suspended full credit control actions for a period of six (6) months from July 2020 to October 2020 and from February 2021 to March 2021 in the 2020/21 Financial Year. Only disconnections and complete blocking were fully suspended during this period and implemented the partial blocking on the prepayment system during the lockdown period, this has resulted in collection rate decline. In addition to the effects of the lockdown what further impacted the collection rate was the punitive tariffs on water due to the current drought situation which increased debt book whilst not implementing full credit control action in 2020/21. The following table indicates the trend in the collection as well as the payment:

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56. COVID-19 Impact (continued)

PERIOD	COLLECTION RATIO	PAYMENTS (incl. VAT)
Jul-20	50.26%	265,967,547
Aug-20	52.94%	383,914,450
Sep-20	53.22%	291,206,678
Oct-20	57.98%	357,805,555
Nov-20	60.28%	335,436,360
Dec-20	60.08%	320,517,335
Jan-21	61.94%	342,887,736
Feb-21	62.95%	311,028,780
Mar-21	64.27%	327,727,557
Apr-21	65.37%	315,516,795
May-21	68.34%	426,160,306
Jun-21	71.10%	399,934,376

9. Due to restrictions on social distancing, meter reading was suspended but consumers were able to take their own readings and email them to Meterreading@buffalocity.gov.za. Those consumers that don't have access to emails were able to call the call centre and 043 705 3080 to submit their meter readings.

10. The City has experienced decline in revenue collection. There was also a decrease in electricity consumption and thus decrease in electricity revenue mainly due to closure of businesses during lockdown.

Expenditure

1. All service providers were paid on a weekly basis after submitting an invoice and this was to respond to President's call to pay suppliers immediately after the delivery of goods.
2. The reduced receipts as a result of decreased collection rate has had an impact in the Vat output which has resulted in less output VAT being paid over.
3. Escalation of operational costs which is a result of the mitigating measures that have been put in place to manage the spread of COVID-19 in items such as personal protective equipment (PPE), decontamination and disinfection of municipal building and other public facilities.
4. The City incurred expenses of R54 040 760 in the 2020/21 financial year related to COVID-19 (personal protective equipment, plant hire and etc).
5. Although there have been many changes as a result of COVID-19, the liquidity and going concern aspects of the City has remained intact.

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	2021	2020 *Restated	2021	2020 *Restated

56. COVID-19 Impact (continued)

Cash flow

1. Reduction in collection rate and inability to implement credit control initiatives had a negative effect on levies and services.
2. There was an increase in expenditure relating to Personal Protective Equipment.

Budget

The adjustments made in the Division of Revenue Amendment Bill (Government Gazette No. 43450 of 18 June 2020) necessitated the following adjustments in Buffalo City Metropolitan Municipality's Budget:

- a) The Metro received additional R142 572 000 Equitable Share allocation. The additional allocation was to fund COVID-19 related expenditure, below are items that were funded:
 - i. Procurement of Personal Protective Equipment
 - ii. Hired Plant for Cemeteries
 - iii. Medication for Employee Wellness Centre
 - iv. Security (safeguarding of municipal assets)
 - v. COVID-19 Project Temps
- b) Infrastructure Skills Development Grant was reduced by R576 000.
- c) Energy Efficiency Demand Side Management was reduced by R700 000
- d) Urban Settlement Development Grant was reduced by R74 233 000

SCM

The full procurement process as outlined in BCMM SCM's Standard Operating Procedures, SCM Policy were followed. Due to the emergency nature of the COVID-19 related procurement and lockdown period, additional considerations were made to achieve quicker procurement whilst still adhering to the procurement pillars and legislative requirements.

The procurement of Personal Protective Equipment for COVID-19 related matters were centralised at the Logistics, Warehouse & Disposal department. These items were procured as stock items in order to mitigate risks of abuse and frequency of orders unaccounted for from time to time. The National Treasury Emergency and Bulk Procurement Circulars on Natural Disaster were followed where possible, however, in many instances the service providers that are in the National Treasury would not have stock and or have longer waiting period for delivery.

Circular 105 which came into effect on 05 August 2020 ceasing all Procurement related to COVID-19 PPE Emergency situations and the entity had to ensure the following:

1. The use of Request for Quotations (RFQs) in order to ensure availability of stock e.g. sanitisers and masks.
2. Transversal contract was utilised to procure certain items e.g. disposable masks as a means to ensure that PPE is available.
3. Procuring of PPE for COVID-19 by utilising the 3 quote system. In some instances the National Treasury list of accredited service providers was used to source these quotations.

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	2021	2020 *Restated	2021	2020 *Restated
57. Unauthorised expenditure				
Opening balance as previously reported	17 649 513	42 977 417	17 649 513	42 977 417
Opening balance as restated	17 649 513	42 977 417	17 649 513	42 977 417
Add: Expenditure identified - current	-	17 649 513	-	17 649 513
Less: Expenditure authorised in terms of section 32 of the MFMA	(17 649 513)	(42 977 417)	(17 649 513)	(42 977 417)
Closing balance	-	17 649 513	-	17 649 513

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	17 649 513	-	17 649 513
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Analysed as follows: non-cash

Debt impairment	-	17 649 513	-	17 649 513
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The 2020 unauthorised expenditure comprises the following:

Debt Impairment of R17.65 million, this is a result of the increase in debtors primarily due to non-payment by customers within the financial year. The COVID-19 pandemic and increase in billing as a result of punitive tariffs due to the drought have exacerbated the situation.

58. Fruitless and wasteful expenditure

Opening balance as previously reported	13 022 784	18 248 138	12 947 312	18 173 575
Correction of prior period error	-	(2 741 368)	-	(2 741 368)
Opening balance as restated	13 022 784	15 506 770	12 947 312	15 432 207
Add: Expenditure identified - current	2 094 219	909	2 035 246	-
Less: Amounts recoverable	(13 290)	(2 484 895)	-	(2 484 895)
Less: Amount written off - current	(2 215 636)	-	(2 215 636)	-
Closing balance	12 888 077	13 022 784	12 766 922	12 947 312

Interest charged on overdue accounts due to late payment resulted in the economic entity incurring fruitless and wasteful expenditure of R2 094 219 (2020: R909).

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.

BCMDA incurred SARS penalties and interest on an EMP201 return assessment and that was submitted and paid for on the 6 March 2021. SARS considered the payment to have been made on 8 March 2021. Engagements are in progress with SARS to reverse the penalties and interest paid.

Cases under investigation

Investigations are still in progress regarding 21 cases (2020:42) which relate to interest on late payments and negligence.

Amounts recoverable

An objection was lodged and an amount of R2 484 895 was recovered from SARS relating to interest and penalties for the 2018/19 financial year.

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58. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the MPAC investigations, Council adopted the MPAC recommendation to write off an amount of R2 215 636 from the total fruitless with out reasonable doubt that the amount was not recoverable.

59. Irregular expenditure

Opening balance as previously reported	2 520 884 798	2 881 067 043	2 518 729 268	2 867 713 994
Restatement	-	39 687 467	-	39 687 467
Opening balance as restated	2 520 884 798	2 920 754 510	2 518 729 268	2 907 401 461
Add: Irregular Expenditure - current	264 895 618	325 751 329	174 785 450	307 870 695
Less: Amounts ratified/approved as irrecoverable by council and written off	(91 866 967)	(725 621 041)	-	(696 542 888)
Closing balance	2 693 913 449	2 520 884 798	2 693 514 718	2 518 729 268

Analysis of expenditure awaiting write-off per age classification

Current year	264 496 887	325 751 329	174 785 450	307 870 695
Prior years	2 520 884 798	2 920 754 510	2 518 729 268	2 907 401 461
Less: Amounts ratified/approved as irrecoverable by council and written off	(91 866 967)	(725 621 041)	-	(696 542 888)
	2 693 514 718	2 520 884 798	2 693 514 718	2 518 729 268

Details of irregular expenditure

Procurement made outside SCM regulations	4 055 034	63 098 425	4 055 034	63 098 425
Bid Construction Contracts (BCC)	95 113 997	144 393 232	95 113 997	144 393 232
Annual contracts	65 083 224	69 853 810	65 083 224	69 853 810
Formal contracts	288 172	9 116 455	288 172	9 116 455
Informal contracts	-	1 079 630	-	1 079 630
3 Quotation System	-	562 491	-	562 491
Suppliers in service of state - Not-declared state employees	4 878 667	11 089 793	4 878 667	11 089 793
Expired leases	5 366 356	8 676 859	5 366 356	8 676 859
Bid Adjudication Committee - BCMDA	90 110 168	17 880 634	-	-
	264 895 618	325 751 329	174 785 450	307 870 695

60. In-kind donations and assistance

FELZOO donated assistance to BCMM	9 661	6 127	9 661	6 127
FELA donated assistance to BCMM	3 600	3 600	3 600	3 600
Nahoon Point Nature Reserve	37 273	91 564	37 273	91 564
	50 534	101 291	50 534	101 291

The nature of the above In-kind donations and assistance amounts are ad-hoc cash donations which are non-exchange transactions.

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated
61. Additional disclosure in terms of Municipal Finance Management Act				
Contributions to organised local government				
Current year contribution	15 659 900	14 903 900	15 659 900	14 903 900
Amount paid - current year	(15 659 900)	(14 903 900)	(15 659 900)	(14 903 900)
	-	-	-	-
Contributions to SA Cities Network				
Current year contribution	4 064 221	3 783 552	4 064 221	3 783 552
Amount paid - current year	(4 064 221)	(3 783 552)	(4 064 221)	(3 783 552)
	-	-	-	-
Audit fees				
Current year subscription / fee	20 882 918	16 055 514	20 882 918	16 055 514
Amount paid - current year	(20 882 918)	(16 055 514)	(20 882 918)	(16 055 514)
	-	-	-	-
PAYE, UIF and Skills Development Levy				
Opening balance	530 657	-	-	-
Current year contribution	391 824 701	368 566 174	386 207 146	363 367 983
Amount paid - current year	(391 752 169)	(368 035 517)	(386 207 146)	(363 367 983)
	603 189	530 657	-	-

Amounts in respect of June 2021 were paid by the 7 July 2021 as per legislation, therefore there were no outstanding amounts for the financial year 2020/21.

Pension and Medical Aid Deductions

Opening balance	122 146	101 909	-	-
Current year contribution	595 251 883	563 721 821	593 504 234	562 130 555
Amount paid - current year	(595 256 235)	(563 701 584)	(593 504 234)	(562 130 555)
	117 794	122 146	-	-

Amounts in respect of June 2021 were paid by the 7 July 2021 as per legislation, therefore there were no outstanding amounts for the financial year 2020/21.

VAT

VAT payable	15 021 047	50 791 873	15 723 735	51 289 939
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VAT output payables and VAT input receivables are shown in note 21.

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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

61. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

Arrear Councillors accounts totalling R55 957 were outstanding for more than 90 days at 30 June 2021 (2020 R8 546) for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor. The following amounts represent the total outstanding as at 30 June 2021 Stop orders are in place, whereby a monthly amount is deducted until the balance is settled.

30 June 2021	Outstanding more than 90 days R	Total R
Councillor C.H. Maxegwana	14 369	14 369
Councillor N.P. Matiwane	643	643
Councillor K. Ciliza	1 385	1 385
Councillor V.F. Gcobo	6 856	6 856
Councillor S. Mapuko	32 704	32 704
	55 957	55 957

30 June 2020	Outstanding more than 90 days R	Total R
Councillor A. Mayoyo	903	903
Councillor Z. Mtyingizane	5 133	5 133
Councillor L.M. Quse	1 472	1 472
Councillor K. Ciliza	1 038	1 038
	8 546	8 546

At year end, officials accounts totalling R5 048 405 (2020: R1 603 902) were outstanding for more than 90 days.

62. Transitional provisions

Transitional provision for Statutory Receivable

General information

The entity followed the transitional provision as per Directive 5 of the GRAP Reporting Framework.

All Statutory Receivables have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 108.

Some progress has been made towards full compliance with GRAP 108, but it is expected that full compliance will only be reached at the end of the transitional period. The entity intends to comply in full with GRAP 108 by ensuring that, inter alia, all necessary considerations, assessments, calculations and significant judgements are made timeously and effectively, in order to classify and measure Statutory Receivables in accordance with the requirements of the standard.

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

62. Transitional provisions (continued)

Transitional provision for Living and non-living resources

General information

The entity followed the transitional provision as per Directive 5 of the GRAP Reporting Framework.

All living and non-living resources have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 110.

Some progress has been made towards full compliance with GRAP 110, but it is expected that full compliance will only be reached at the end of the transitional period. The entity intends to comply in full with GRAP 110 by ensuring that, inter alia, all necessary considerations, assessments, calculations and significant judgements are made timeously and effectively, in order to classify and measure Living and non-living resources in accordance with the requirements of the standard.

63. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) 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.

The above mentioned contributes to lesser income being received by BCMM.

Department of Human Settlements

BCMM received a level one accreditation with the Human Settlements Department to erect RDP houses on behalf of the department and to claim back all monies spent.

This ensured that all indigent qualifying persons have housing and that the metro increases service delivery.

The spending of BCMM own funds and claiming these funds back from the department has resulted in a fiscal drain to the metro which has resulted in an amount of R332 million owing to BCMM.

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	2021	2020 *Restated	2021	2020 *Restated

63. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), 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 R11 590 099 (2020: R11 711 132).

Corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R321 217 430 (2020: R333 754 455) Refer to note 13, Accrued income.

Entity as principal

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 31 Grant and Subsidies Paid and note 51 Related parties, for further details.

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 and 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 31, Grant and Subsidies Paid and note 51 Related parties for further details.

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

64. Segment information

General information

Identification of segments

The economic entity 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 economic entity 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	Description
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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

64. Segment information (continued)

Segment surplus or deficit

Economic entity - 2021

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	13 219 578	3 924 125 027	-	3 937 344 604
Rental of facilities and equipment	1 074 834	1 184 782	19 521 336	-	2 441 124	24 222 075
Other revenue (exchange)	12 017 260	38 748 241	21 793 335	8 828 271	24 272 660	105 659 768
Interest received	-	488 136	120 023 921	-	-	120 512 057
Property rates	-	-	1 589 415 133	-	-	1 589 415 133
Licences and permits (non-exchange)	-	12 201 516	-	-	209 910	12 411 425
Interest (non-exchange)	-	-	40 197 816	-	-	40 197 816
Government grants and subsidies	526 300 196	411 378 956	584 568 656	731 963 163	21 773 407	2 275 984 378
Other revenue (non-exchange)	75 981 644	-	-	-	-	75 981 644
Public contributions and donations	-	10 035 999	-	-	-	10 035 999
Fines	11 179	16 647 913	-	-	-	16 659 092
Fuel levy	-	-	593 337 000	-	-	593 337 000
Total segment revenue	615 385 113	490 685 543	2 982 076 775	4 664 916 460	48 697 100	8 801 760 991

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
64. Segment information (continued)						
Expenditure						
Employee related cost	(522 707 562)	(513 673 358)	(754 534 246)	(665 984 290)	(42 476 249)	(2 499 375 705)
Remuneration of councillors	-	(1 936 260)	(63 813 409)	-	-	(65 749 669)
Depreciation and amortisation	(80 473 290)	(698 512 751)	(142 025 717)	(476 752 431)	(4 204 441)	(1 401 968 630)
Finance cost	(1 635 392)	(8 471 347)	(2 124 389)	(12 975 276)	(550 434)	(25 756 838)
Debt impairment	(49 610 380)	-	57 051 937	(934 391 260)	-	(926 949 703)
Repairs and maintenance	(20 844 121)	(126 825 797)	(30 509 450)	(206 322 218)	(1 367 875)	(385 869 461)
Bulk purchases	-	-	-	(1 866 017 126)	-	(1 866 017 126)
Contracted services	(8 648 065)	(33 057 648)	(87 298 293)	(122 768 147)	(3 434 232)	(255 206 384)
Grants and subsidies paid	(642 684)	-	(60 303 609)	-	(1 053 030)	(61 999 323)
General expenses	(93 751 945)	(41 512 939)	(278 477 899)	(205 069 788)	(17 423 471)	(636 236 042)
Loss on disposal of assets	(14 727)	(8 784 594)	(6 756 710)	(1 050 526)	(18 508)	(16 625 064)
Fair value adjustments	-	-	29 523 248	-	-	29 523 248
Share of surplus/(deficit) of associate	-	-	(26 627 528)	-	-	(26 627 528)
Inventory losses/write-downs	-	(12 737)	(689 642)	-	-	(702 379)
Total segment expenditure	(778 328 166)	(1 432 787 431)	(1 366 585 706)	(4 491 331 061)	(70 528 240)	(8 139 560 604)
Total segmental surplus						662 200 387
Total Revenue as per Statement of Financial Performance						8 801 760 991
Total Expenditure as per Statement of Financial Performance						(8 125 128 881)
Other items as per Statement of Financial Performance - (also included in expenditure table above)						(14 431 723)
Economic entity's surplus for the period						662 200 387

The entity does not disclose segment assets and liabilities as they are not regularly reported on and reviewed by management.

The entity applied the transitional provision not to disclose comparative figures on initial adoption of GRAP 18 as permitted.

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

64. Segment information (continued)

Information about geographical areas

The economic entity'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.

65. 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.

Regulation 36 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 unaudited separate annual financial statements.

During the financial year under review goods/services totalling R224 164 251 (2020: R143 253 529) 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 - 2021	No of contracts	Controlling entity - 2021
Emergency	15	52 083 884	15	52 083 884
Sole supplier	10	96 135 504	10	96 135 504
Other exceptional cases	8	75 944 863	8	75 944 863
	33	224 164 251	33	224 164 251

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020 *Restated	2021	2020 *Restated

66. Retirement benefit 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:

- Cape Joint Pension Fund / L A 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
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- East London Municipal A Band Provident Fund

The Cape Joint Pension Fund's / LA Retirement Fund's last actuarial valuation was at 30 June 2019 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was 100.3% funded at valuation date.

The Consolidated Retirement Fund's last actuarial valuation was at 30 June 2019 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 2019 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 100.05% at valuation date.

The Government Employees Pension Fund's last valuation was at 31 March 2018 conducted by H. Buck . The funding level at this date was 108.3%.

Municipal Worker's Retirement Fund (previously known as SAMWU National Provident Fund) last actuarial valuation was at 30 June 2017 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 2017.

The SALA Pension Fund's last valuation was at 01 July 2015 conducted by J.F. Rosslee of ARGEN Actuarial Solutions. The fund was 100% funded as at 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 28 February 2014 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The report stated that the fund was financially sound and the funding level at this date was 100%

The Municipal Councillors Pension Fund's last valuation was at 30 June 2018 prepared by Mothapo R. and Barnard G.M. from Moruba Consultants and Actuaries. The report stated that the funding level was at 103% at the time of valuation.

The National Fund for Municipality Worker's last Actuarial Valuation was at 30 June 2015 and prepared by G. Grobler from Alexander Forbes Financial Services. The assets of the fund are sufficient to cover 100.42% of members' liabilities.

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 R 23,6 million.

An amount of R400.1 million (2020: R381.9 million) was contributed by Council, Councillors' and employees' in respect of Councillor and employee retirement funding. These contributions have been expensed.

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67. 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 in BCMDA	Position held in BCMM	2021	2020
N. Pepani		Administrative assistant	26 044	-
Z. Capucapu		Superintendent	72 565	-
Z. Mkwanti		Artisan assistant	326 304	-
S. Skepu		Chemical technician	181 112	-
Z. Gqokoza		Equipment operator	288 775	-
Y. Barley		Intern	120 867	-
K. Somdaka		Technician: Aircon and electric	1 173 335	-
B. Nabela		Intern: Scientific services	129 360	-
H.R. Schluter		Programme manager: City planning	11 339	-
L. Boya		Comms officer	1 591 867	-
B.R. Nonkewuse		Supervisor	5 626	-
S.A. Kweza		Reserve ranger	48 616	-
S.P. Xoki		Chief risk officer	55 908	30 655
S. Mxesibe		Geomatics technician	614 941	-
C.F. Stoffels		Informal contract co-ordinator	47 246	-
A. Pepper		Meter reader	68 932	81 097
H.C. Prince		Administrative assistant	583 407	-
S.C. Nkubungu		Project manager: Housing	362 506	-
N.T. Nyati		Secretary to GM	101 739	117 000
S. Sopazi		Staff accounts officer	231 614	-
A.A. Fredericks		Senior meter reader	38 927	-
S. Majembe		Buyer	-	163 590
Z. Ndzondo		Bid Secretariat	-	779 507
A. Kretzmann		General manager	-	207 432
C. Prince		Administration assistant	-	202 910
L. Fourie		Administration assistant	-	120 000

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	2021	2020 *Restated	2021	2020 *Restated
67. Bids awarded to family of employees in service of the State (continued)				
S. Mnxunyelwa		GM Corporate services	-	275 343
V. Zitumane	BCMDA Board member		3 434 862	-
			9 515 892	1 977 534
Connected person				
		Name of institution	2021	2020
F. Ngcwangu		EC Provincial Planning & Treasury	-	665 845

68. Change in estimate

Property, plant and equipment

The useful lives of Electricity infrastructure, Other properties, Recreational facilities, Roads, Wastewater network, Water network and Community buildings were adjusted during 2020/21 to more accurately reflect the period of economic service potential derived from these assets. Refer to note 4. The effect of changing the remaining useful life of assets for the entity during 2020/21 decreased the depreciation charge by R635 192 952.

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	2021	2020 *Restated	2021	2020 *Restated
69. Cash flows from operating activities				
Receipts : Sale of goods and services				
Total revenue as per Statement of Financial Performance	8 801 760 991	7 593 226 916	8 797 257 777	7 584 208 767
Less: Interest received - (exchange)	29 (120 512 057)	(152 991 231)	(120 023 921)	(152 471 611)
Less: Interest received - (non-exchange)	27 (40 197 816)	(39 698 901)	(40 197 816)	(39 698 901)
Less: Government grants and subsidies received	32 (2 275 984 378)	(1 997 418 002)	(2 272 517 398)	(1 989 656 320)
Movement in receivables from exchange transactions	13 (1 153 205 721)	(419 378 416)	(1 153 089 670)	(419 664 741)
Movement in receivables from non-exchange transactions	12 (276 720 698)	(424 012 360)	(276 720 700)	(424 012 359)
Movement in VAT payables	21 (35 770 826)	153 230 057	(35 566 204)	153 421 797
Net movement in consumer deposits	22 4 082 656	6 034 430	4 082 656	6 034 430
	4 903 452 151	4 718 992 493	4 903 224 724	4 718 161 062
Payment : Suppliers				
Total expenditure as per the Statement of Financial Performance	(8 125 128 881)	(7 766 504 997)	(8 123 198 625)	(7 766 909 254)
Employee costs and Councillors remuneration	34&35 2 565 125 374	2 302 925 878	2 536 595 308	2 276 946 606
Interest paid	37 25 756 838	32 563 877	25 756 790	32 563 877
Depreciation and amortisation	36 1 401 968 630	1 727 750 916	1 400 787 230	1 726 815 037
Debt impairment	38 926 949 703	568 237 734	926 949 703	568 237 734
Net movement on unspent conditional grants	16 (269 360 167)	320 896 287	(267 618 366)	319 956 454
Movement in Post retirement medical aid benefit obligation	9 102 398 000	(43 998 087)	102 398 000	(43 998 087)
Movement in provisions	18 44 559 870	132 089 409	37 940 017	130 847 956
Movement in trade payables from exchange transactions	20 37 613 905	114 252 376	41 441 982	113 141 299
Movement in inventory	10 (2 557 393)	(30 189)	(2 570 130)	(4 901)
Movements in operating lease liability	8 47 859	51 545	-	-
Prepayments	11 (97 604)	-	-	-
PPE (Transfers / Adjustments)	4 -	(56 629 565)	-	(56 629 565)
Inventories losses/write-downs	(702 379)	(1 129 206)	(689 642)	(1 129 206)
	(3 293 426 245)	(2 669 524 022)	(3 322 207 733)	(2 700 162 050)