



BUFFALO CITY METROPOLITAN MUNICIPALITY
Audited Consolidated Annual Financial Statements
for the year ended 30 June 2022

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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, Iliitha, Ginsberg and the surrounding rural areas.
Mayoral committee	
Executive Mayor	Councillor X.P. Pakati
Deputy Executive Mayor	Councillor P. Faku
Councillors	Councillor N. Mhlola - Human Settlements Councillor N. Maxongo - Spatial Planning & Development Councillor S. Caga - Financial Services Councillor M. Marata - Economic Development & Agencies Councillor A. Mnyute - Community Services Councillor S. Matwele - Health, Public Safety and Emergency Services Councillor M. Mfazwe - Infrastructure Services Councillor G. Lottering - Sport and Community Development Councillor H. Neale-May - Corporate Services
Grading of local authority	Grade 6 Municipality
Acting City Manager / Accounting Officer	Mr. N. Ncunyana
Acting Chief Financial Officer (ACFO)	Mr. A. Xoseka
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 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 Ms. Y. Roboji (Member) - appointment 04 September 2020 - resigned 08 October 2021

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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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Abbreviations used:

BCMDA	Buffalo City Metropolitan Development Agency
DBSA	Development Bank of South Africa
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International 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 place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer are primarily responsible for the financial affairs of the entity, they are supported by the economic entity's external auditors.

The audited consolidated annual financial statements set out on page 5 to 140, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2022.

Mr. N. Ncunyana
Acting City Manager

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021 Restated*	2022	2021 Restated*
Assets					
Current Assets					
Inventories	10	44 209 773	37 094 298	44 147 386	37 046 329
Receivables from non-exchange transactions	12	828 130 230	775 364 011	828 130 230	775 364 011
Prepayments	11	104 436	97 604	-	-
Receivables from exchange transactions	13	1 883 651 866	1 776 482 449	1 877 455 684	1 775 267 841
Cash and cash equivalents	14	697 456 815	1 145 407 278	677 023 479	1 126 078 448
		3 453 553 120	3 734 445 640	3 426 756 779	3 713 756 629
Non-Current Assets					
Investment property	3	451 397 500	436 049 000	451 397 500	436 049 000
Property, plant and equipment	4	24 451 806 015	21 523 593 808	24 450 274 293	21 521 783 468
Intangible assets	5	10 846 857	13 009 711	10 070 513	11 970 978
Heritage assets	6	50 513 440	50 513 440	50 513 440	50 513 440
Investments in associates	7	706 317 270	676 448 508	706 317 270	676 448 508
		25 670 881 082	22 699 614 467	25 668 573 016	22 696 765 394
Total Assets		29 124 434 202	26 434 060 107	29 095 329 795	26 410 522 023
Liabilities					
Current Liabilities					
Borrowings	17	49 140 563	45 190 555	49 140 563	45 190 555
Operating lease liability	8	68 368	99 404	-	-
Trade payables from exchange transactions	20	1 346 605 018	1 555 415 859	1 357 270 675	1 557 064 365
Consumer deposits	22	79 793 423	74 226 105	79 793 423	74 226 105
Employee benefit obligation	9	29 148 000	25 599 000	29 148 000	25 599 000
Unspent conditional grants and receipts	16	283 485 342	267 003 911	274 305 540	264 698 642
Provisions	18	380 227 422	380 825 457	377 786 640	378 433 181
		2 168 468 136	2 348 360 291	2 167 444 841	2 345 211 848
Non-Current Liabilities					
Borrowings	17	138 853 808	187 994 372	138 853 808	187 994 372
Employee benefit obligation	9	825 728 000	761 616 000	825 728 000	761 616 000
Provisions	18	112 622 698	52 982 846	99 082 969	46 484 844
		1 077 204 506	1 002 593 218	1 063 664 777	996 095 216
Total Liabilities		3 245 672 642	3 350 953 509	3 231 109 618	3 341 307 064
Net Assets		25 878 761 560	23 083 106 598	25 864 220 177	23 069 214 959
Reserves					
Revaluation reserve	15	14 631 492 136	11 603 155 423	14 631 492 136	11 603 155 423
Accumulated surplus		11 247 269 424	11 479 951 175	11 232 728 041	11 466 059 536
Total Net Assets		25 878 761 560	23 083 106 598	25 864 220 177	23 069 214 959

* See Note 52

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021 Restated*	2022	2021 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	24	4 312 992 772	3 869 643 522	4 312 992 772	3 869 643 522
Rental of facilities and equipment	25	21 116 429	24 222 075	21 116 429	24 222 075
Other revenue - (exchange)	28	89 960 049	105 659 768	89 816 562	105 111 670
Interest received	29	154 468 720	119 653 827	153 746 938	119 165 691
Total revenue from exchange transactions		4 578 537 970	4 119 179 192	4 577 672 701	4 118 142 958
Revenue from non-exchange transactions					
Property rates	30	1 733 914 159	1 591 520 430	1 733 914 159	1 591 520 430
Licences and Permits (non-exchange)	26	12 127 953	12 411 425	12 127 953	12 411 425
Interest (non-exchange)	27	55 177 577	40 197 816	55 177 577	40 197 816
Government grants & subsidies	32	1 729 702 487	2 271 126 869	1 739 305 650	2 267 813 593
Other revenue - (non-exchange)	33	82 193 719	76 003 320	82 193 719	76 003 320
Public contributions and donations - PPE	23	2 293 545	14 978 941	2 293 545	14 978 941
Fines	23	12 407 778	16 659 092	12 407 778	16 659 092
Fuel levy	23	652 199 000	593 337 000	652 199 000	593 337 000
Total revenue from non-exchange transactions		4 280 016 218	4 616 234 893	4 289 619 381	4 612 921 617
Total revenue	23	8 858 554 188	8 735 414 085	8 867 292 082	8 731 064 575
Expenditure					
Employee related costs	34	(2 533 862 564)	(2 537 136 353)	(2 510 296 804)	(2 510 542 547)
Remuneration of councillors	35	(67 340 030)	(65 749 668)	(64 682 669)	(63 813 408)
Depreciation and amortisation	36	(1 569 794 105)	(1 388 863 513)	(1 568 682 737)	(1 387 682 113)
Finance costs	37	(20 684 494)	(25 756 838)	(20 684 493)	(25 756 790)
Debt Impairment	38	(1 385 422 099)	(911 740 908)	(1 385 422 099)	(911 740 908)
Repairs and maintenance	42	(401 398 722)	(387 377 022)	(401 389 852)	(386 027 395)
Bulk purchases	39	(2 169 309 617)	(1 866 017 126)	(2 169 309 617)	(1 866 017 126)
Contracted services	40	(225 419 240)	(255 206 384)	(206 806 422)	(241 811 763)
Grants and subsidies paid	31	(70 459 423)	(61 999 323)	(127 077 774)	(104 708 255)
General Expenses	41	(692 803 059)	(636 362 043)	(691 455 972)	(636 178 617)
Total expenditure		(9 136 493 353)	(8 136 209 178)	(9 145 808 439)	(8 134 278 922)
Operating surplus/(deficit)		(277 939 165)	599 204 907	(278 516 357)	596 785 653
Gain/(loss) on disposal of assets	44	528 642	(16 625 064)	470 508	(16 622 245)
Fair value adjustments	43	15 348 500	29 523 248	15 348 500	29 523 248
Share of surpluses or (deficits) from associates	7	29 868 763	(26 627 528)	29 868 763	(26 627 528)
Inventories write-downs	10	(488 477)	(702 379)	(502 895)	(689 642)
		45 257 428	(14 431 723)	45 184 876	(14 416 167)
Surplus/(deficit) for the year		(232 681 737)	584 773 184	(233 331 481)	582 369 486

* See Note 52

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Economic entity			
Opening balance as previously reported	9 460 564 593	10 941 049 881	20 401 614 474
Adjustments			
Prior year adjustments 52	15 172 868	(45 871 906)	(30 699 038)
Balance at 01 July 2020 as restated*	9 475 737 461	10 895 177 975	20 370 915 436
Changes in net assets			
Surplus for the year	-	584 773 184	584 773 184
Revaluation	2 102 078 089	-	2 102 078 089
Prior period error	25 339 873	-	25 339 873
Total changes	2 127 417 962	584 773 184	2 712 191 146
Restated* Balance at 01 July 2021	11 603 155 423	11 479 951 161	23 083 106 584
Changes in net assets			
Surplus for the year	-	(232 681 737)	(232 681 737)
Revaluation	3 028 336 713	-	3 028 336 713
Total changes	3 028 336 713	(232 681 737)	2 795 654 976
Balance at 30 June 2022	14 631 492 136	11 247 269 424	25 878 761 560
Note(s)	15	52	
Controlling entity			
Opening balance as previously reported	9 460 564 593	10 929 561 937	20 390 126 530
Adjustments			
Prior year adjustments 52	15 172 868	(45 871 906)	(30 699 038)
Balance at 01 July 2020 as restated*	9 475 737 461	10 883 690 031	20 359 427 492
Changes in net assets			
Surplus for the year	-	582 369 486	582 369 486
Revaluation	2 102 078 089	-	2 102 078 089
Prior period error	25 339 873	-	25 339 873
Total changes	2 127 417 962	582 369 486	2 709 787 448
Restated* Balance at 01 July 2021	11 603 155 423	11 466 059 522	23 069 214 945
Changes in net assets			
(Deficit) for the year	-	(233 331 481)	(233 331 481)
Revaluation	3 028 336 713	-	3 028 336 713
Total changes	3 028 336 713	(233 331 481)	2 795 005 232
Balance at 30 June 2022	14 631 492 136	11 232 728 041	25 864 220 177
Note(s)	15	52	

* See Note 52

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021 Restated*	2022	2021 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services	67	5 373 847 671	4 948 235 526	5 378 685 755	4 948 275 080
Government grants and subsidies	67	1 746 183 918	2 006 624 212	1 748 912 548	2 004 899 033
Interest income	27&29	209 646 297	159 851 643	208 924 515	159 363 507
		<u>7 329 677 886</u>	<u>7 114 711 381</u>	<u>7 336 522 818</u>	<u>7 112 537 620</u>
Payments					
Employee costs & Councillors remuneration	67	(2 533 323 499)	(2 496 088 601)	(2 507 404 638)	(2 468 513 119)
Suppliers	67	(3 711 448 686)	(3 125 570 880)	(3 745 832 219)	(3 155 406 566)
Finance costs	37	(20 684 494)	(25 756 838)	(20 684 493)	(25 756 790)
		<u>(6 265 456 679)</u>	<u>(5 647 416 319)</u>	<u>(6 273 921 350)</u>	<u>(5 649 676 475)</u>
Net cash flows from operating activities	47	<u>1 064 221 207</u>	<u>1 467 295 062</u>	<u>1 062 601 468</u>	<u>1 462 861 145</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 468 106 107)	(1 678 647 221)	(1 467 729 861)	(1 677 796 912)
Proceeds from sale of property, plant and equipment	4	1 380 041	37 831 839	1 263 980	37 831 840
Purchase of intangible assets	5	(255 048)	(387 504)	-	-
Net cash flows from investing activities		<u>(1 466 981 114)</u>	<u>(1 641 202 886)</u>	<u>(1 466 465 881)</u>	<u>(1 639 965 072)</u>
Cash flows from financing activities					
Repayment of borrowings	17	(45 190 556)	(54 395 605)	(45 190 556)	(54 395 605)
Net cash flows from financing activities		<u>(45 190 556)</u>	<u>(54 395 605)</u>	<u>(45 190 556)</u>	<u>(54 395 605)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(447 950 463)</u>	<u>(228 303 429)</u>	<u>(449 054 969)</u>	<u>(231 499 532)</u>
Cash and cash equivalents at the beginning of the year		1 145 407 278	1 373 710 707	1 126 078 448	1 357 577 980
Cash and cash equivalents at the end of the year	14	<u>697 456 815</u>	<u>1 145 407 278</u>	<u>677 023 479</u>	<u>1 126 078 448</u>

* See Note 52

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Economic entity - 2022											
Financial Performance											
Property rates	1 834 764 190	-	1 834 764 190	-	-	1 834 764 190	1 733 914 159	-	(100 850 031)	95 %	
Service charges	3 978 391 144	4 668 817	3 983 059 961	-	-	3 983 059 961	4 312 992 772	-	329 932 811	108 %	
Investment revenue	36 489 853	(5 753 837)	30 736 016	-	-	30 736 016	33 085 567	-	2 349 551	108 %	
Transfers recognised - operational	1 272 535 383	170 670 981	1 443 206 364	-	-	1 443 206 364	1 043 268 342	-	(399 938 022)	72 %	N1
Other own revenue	1 083 071 057	3 215 522	1 086 286 579	-	-	1 086 286 579	1 063 255 855	-	(23 030 724)	98 %	
Total revenue (excluding capital transfers and contributions)	8 205 251 627	172 801 483	8 378 053 110	-	-	8 378 053 110	8 186 516 695	-	(191 536 415)	98 %	
Employee costs	(2 536 209 832)	(6 593 425)	(2 542 803 257)	-	-	(2 542 803 257)	(2 536 519 938)	-	6 283 319	100 %	
Remuneration of councillors	(76 549 605)	11 504 891	(65 044 714)	-	-	(65 044 714)	(64 682 668)	-	362 046	99 %	
Debt impairment	(871 973 300)	(349 746 669)	(1 221 719 969)	-	-	(1 221 719 969)	(1 385 422 099)	(163 702 130)	(163 702 130)	113 %	N2
Depreciation and asset impairment	(1 813 933 381)	99 854 088	(1 714 079 293)	-	-	(1 714 079 293)	(1 569 794 105)	-	144 285 188	92 %	
Finance charges	(59 935 810)	39 246 367	(20 689 443)	-	-	(20 689 443)	(20 684 494)	-	4 949	100 %	
Materials and bulk purchases	(2 445 649 066)	151 689 311	(2 293 959 755)	-	-	(2 293 959 755)	(2 291 433 453)	-	2 526 302	100 %	
Transfers and grants	(161 058 623)	10 427 118	(150 631 505)	-	-	(150 631 505)	(70 459 423)	-	80 172 082	47 %	N3
Other expenditure	(1 402 035 432)	(129 483 514)	(1 531 518 946)	-	-	(1 531 518 946)	(1 198 798 705)	-	332 720 241	78 %	N4
Total expenditure	(9 367 345 049)	(173 101 833)	(9 540 446 882)	-	-	(9 540 446 882)	(9 137 794 885)	(163 702 130)	402 651 997	96 %	
Surplus/(Deficit)	(1 162 093 422)	(300 350)	(1 162 393 772)	-	-	(1 162 393 772)	(951 278 190)	-	211 115 582	82 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

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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
Transfers recognised - capital	733 698 600	(25 239 185)	708 459 415	-		708 459 415	686 434 145		(22 025 270)	97 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	2 293 545		2 293 545	- %	N5
Surplus (Deficit) after capital transfers and contributions	(428 394 822)	(25 539 535)	(453 934 357)	-		(453 934 357)	(262 550 500)		191 383 857	58 %	
Share of surplus (deficit) of associate	-	-	-	-		-	(29 868 763)		(29 868 763)	- %	N6
Surplus/(Deficit) for the year	(428 394 822)	(25 539 535)	(453 934 357)	-		(453 934 357)	(232 681 737)		221 252 620	51 %	N7

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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	732 498 600	(25 239 185)	707 259 415	-		707 259 415	624 463 713		(82 795 702)	88 %	N8
Borrowing	369 714 278	(334 403 278)	35 311 000	-		35 311 000	11 727 391		(23 583 609)	33 %	N9
Internally generated funds	701 378 735	154 311 840	855 690 575	-		855 690 575	772 324 088		(83 366 487)	90 %	
Total sources of capital funds	1 803 591 613	(205 330 623)	1 598 260 990	-		1 598 260 990	1 408 515 192		(189 745 798)	88 %	
Financial position											
Total current assets	3 462 561 565	(151 041 143)	3 311 520 422	-		3 311 520 422	3 453 553 120		142 032 698	104 %	
Total non current assets	22 639 950 990	(107 330 623)	22 532 620 367	-		22 532 620 367	25 670 881 082		3 138 260 715	114 %	N10
Total current liabilities	(1 710 941 669)	(3 103 790)	(1 714 045 459)	-		(1 714 045 459)	(2 168 468 136)		(454 422 677)	127 %	N11
Total non current liabilities	(1 245 727 854)	283 338 745	(962 389 109)	-		(962 389 109)	(1 077 204 506)		(114 815 397)	112 %	N12
Community wealth/Equity	23 145 843 032	21 863 189	23 167 706 221	-		23 167 706 221	25 878 761 560		2 711 055 339	112 %	

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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	1 422 341 272	226 580 816	1 648 922 088	-		1 648 922 088	1 064 221 207		(584 700 881)	65 %	N13
Net cash from (used) investing	(1 803 591 613)	205 330 623	(1 598 260 990)	-		(1 598 260 990)	(1 466 981 114)		131 279 876	92 %	
Net cash from (used) financing	317 478 146	(329 008 425)	(11 530 279)	-		(11 530 279)	(45 190 556)		(33 660 277)	392 %	N14
Net increase/(decrease) in cash and cash equivalents	(63 772 195)	102 903 014	39 130 819	-		39 130 819	(447 950 463)		(487 081 282)	(1 145)%	
Cash and cash equivalents at the beginning of the year	1 369 320 426	-	1 369 320 426	-		1 369 320 426	1 145 407 278		(223 913 148)	84 %	N15
Cash and cash equivalents at year end	1 305 548 231	102 903 014	1 408 451 245	-		1 408 451 245	697 456 815		(710 994 430)	50 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Controlling entity - 2022											
Financial Performance											
Property rates	1 834 764 190	-	1 834 764 190	-	-	1 834 764 190	1 733 914 159	-	(100 850 031)	95 %	
Service charges	3 978 391 144	4 668 817	3 983 059 961	-	-	3 983 059 961	4 312 992 772	-	329 932 811	108 %	
Investment revenue	36 022 371	(6 000 000)	30 022 371	-	-	30 022 371	32 363 785	-	2 341 414	108 %	
Transfers recognised - operational	1 167 536 525	107 359 434	1 274 895 959	-	-	1 274 895 959	1 052 871 505	-	(222 024 454)	83 %	N1
Other own revenue	1 070 672 083	6 000 000	1 076 672 083	-	-	1 076 672 083	1 063 039 810	-	(13 632 273)	99 %	
Total revenue (excluding capital transfers and contributions)	8 087 386 313	112 028 251	8 199 414 564	-	-	8 199 414 564	8 195 182 031	-	(4 232 533)	100 %	
Employee costs	(2 505 602 981)	(4 931 226)	(2 510 534 207)	-	-	(2 510 534 207)	(2 510 296 804)	-	237 403	100 %	
Remuneration of councillors	(76 549 605)	11 504 891	(65 044 714)	-	-	(65 044 714)	(64 682 669)	-	362 045	99 %	
Debt impairment	(871 973 300)	(349 746 669)	(1 221 719 969)	-	-	(1 221 719 969)	(1 385 422 099)	(163 702 130)	(163 702 130)	113 %	N2
Depreciation and asset impairment	(1 812 938 570)	100 000 000	(1 712 938 570)	-	-	(1 712 938 570)	(1 568 682 737)	-	144 255 833	92 %	
Finance charges	(59 931 525)	39 246 367	(20 685 158)	-	-	(20 685 158)	(20 684 493)	-	665	100 %	
Materials and bulk purchases	(2 445 649 066)	151 689 311	(2 293 959 755)	-	-	(2 293 959 755)	(2 291 433 453)	-	2 526 302	100 %	
Transfers and grants	(161 058 623)	10 427 118	(150 631 505)	-	-	(150 631 505)	(127 077 774)	-	23 553 731	84 %	N3
Other expenditure	(1 316 076 414)	(70 218 043)	(1 386 294 457)	-	-	(1 386 294 457)	(1 178 829 936)	-	207 464 521	85 %	N4
Total expenditure	(9 249 780 084)	(112 028 251)	(9 361 808 335)	-	-	(9 361 808 335)	(9 147 109 965)	(163 702 130)	214 698 370	98 %	
Surplus/(Deficit)	(1 162 393 771)	-	(1 162 393 771)	-	-	(1 162 393 771)	(951 927 934)	-	210 465 837	82 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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	732 498 600	(25 239 185)	707 259 415	-		707 259 415	686 434 145		(20 825 270)	97 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	2 293 545		2 293 545	- %N5	
Surplus (Deficit) after capital transfers and contributions	(429 895 171)	(25 239 185)	(455 134 356)	-		(455 134 356)	(263 200 244)		191 934 112	58 %	
Share of surplus (deficit) of associate	-	-	-	-		-	29 868 763		29 868 763	- %N6	
Surplus/(Deficit) for the year	(429 895 171)	(25 239 185)	(455 134 356)	-		(455 134 356)	(233 331 481)		221 802 875	51 %N7	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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	732 498 600	(25 239 185)	707 259 415	-		707 259 415	624 463 713		(82 795 702)	88 %	N8
Borrowing	369 714 278	(334 403 278)	35 311 000	-		35 311 000	11 727 391		(23 583 609)	33 %	N9
Internally generated funds	700 178 735	154 311 840	854 490 575	-		854 490 575	771 692 974		(82 797 601)	90 %	
Total sources of capital funds	1 802 391 613	(205 330 623)	1 597 060 990	-		1 597 060 990	1 407 884 078		(189 176 912)	88 %	
Financial position											
Sources of capital funds											
Total current assets	3 453 909 512	(152 011 029)	3 301 898 483	-		3 301 898 483	3 426 756 779		124 858 296	104 %	
Total non-current assets	22 637 879 593	(107 330 623)	22 530 548 970	-		22 530 548 970	25 668 573 016		3 138 024 046	114 %	N10
Total current liabilities	(1 703 605 525)	(3 455 993)	(1 707 061 518)	-		(1 707 061 518)	(2 167 444 841)		(460 383 323)	127 %	N11
Total non-current liabilities	(1 245 727 854)	283 338 745	(962 389 109)	-		(962 389 109)	(1 063 664 777)		(101 275 668)	111 %	N12
Community wealth/Equity	23 142 455 726	20 541 100	23 162 996 826	-		23 162 996 826	25 864 220 177		2 701 223 351	112 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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	1 419 886 243	226 507 484	1 646 393 727	-		1 646 393 727	1 062 601 468		(583 792 259)	65 %	N13
Net cash from (used) investing	(1 802 391 613)	205 330 623	(1 597 060 990)	-		(1 597 060 990)	(1 466 465 881)		130 595 109	92 %	
Net cash from (used) financing	318 822 037	(329 023 316)	(10 201 279)	-		(10 201 279)	(45 190 556)		(34 989 277)	443 %	N14
Net increase/(decrease) in cash and cash equivalents	(63 683 333)	102 814 791	39 131 458	-		39 131 458	(449 054 969)		(488 186 427)	(1 148)%	
Cash and cash equivalents at the beginning of the year	1 369 320 426	-	1 369 320 426	-		1 369 320 426	1 126 078 448		(243 241 978)	82 %	N15
Cash and cash equivalents at year end	1 305 637 093	102 814 791	1 408 451 884	-		1 408 451 884	677 023 479		731 428 405	48 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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 - (Transfers recognised - operational) – The variance is caused by revenue 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.

N2 (Debt impairment) – The increase in billed debtors from 2021 has resulted in a commensurate increase in non-cash expenditure such as the contribution to debt impairment.

N3 - (Transfers and grants) - This variance is mainly a result of budget allocation to BCMDA and Border Kei Chamber of Business for the implementation of Public Employment Programme, to which only R2.4 million was transferred to them due to delays in the implementation of the programme which resulted in low expenditure.

N4 - (Other expenditure) - The variance is mainly caused by expenditure 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.

N5 - (Contributions recognised - capital and contributed assets) – Donated electricity assets and furniture and equipment for Traffic Department and Library.

N6 - (Share of surplus (deficit) of associate) – There was a surplus realised by the East London Industrial Development Zone at 26% share price held by Buffalo City Metropolitan Municipality resulting in R29 898 763 surplus for the year ended June 2022.

N7 - (Surplus/(Deficit) for the year) - The increase in billed debtors from 2021 has resulted in a commensurate increase in non-cash expenditure such as the contribution to debt impairment and depreciation.

N8 - (Transfers recognised – Capital) – the variance is a result of reclaimed vat; the actuals reported are vat exclusive.

N9 - (Borrowing) - The Metro 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 implementation of the project.

N10 - (Total non-current assets) - Revaluation and addition of assets has resulted in increase in the value of assets.

N11 - (Total current liabilities) - 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 year.

N12 - (Total non-current liabilities) - Provision for employee benefits obligations and landfill sites have increased.

N13 - (Net cash from (used) operating) - The variance is mainly due to underperformance on sale of goods and services for 2021/22. Factors contributing to this include the knock of impact of COVID 19, increased unemployment. This continues to hamper collection of revenue for the City.

N14 - (Net cash from (used) financing) - The draw down on the new loan facility did not materialise in 2021/2022 R 35 million. The facility has been allocated to the 2022/2023 MTREF. The budgeted capital repayments are in-line with the 2021/2022 financial year, actual repayments of R 45 million.

N15 - (Cash and cash equivalents at year-end) - The City's' collection rate decreased in the year under review, however, expenditure continued to increase, more specifically on capital expenditure, thus Deeping into the invested reserves.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Economic entity

Controlling entity

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 entity 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 9.

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 2022

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 2022

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 2022

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 2022

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 2022

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

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

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a 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 asset 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

Investments 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.

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Accounting Policies

1.9 Financial instruments

A financial asset is:

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

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

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

Classification

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Accounting Policies

1.9 Financial instruments (continued)

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.

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

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Accounting Policies

1.10 Statutory receivables (continued)

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.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

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

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

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

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

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
- 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.

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Accounting Policies

1.12 Inventories (continued)

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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Accounting Policies

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

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.

Re-designation

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

1.14 Employee benefits

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

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

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Accounting Policies

1.14 Employee benefits (continued)

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 a entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a 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 65;

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, a 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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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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, a 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, a 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-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The 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 a 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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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

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

Recognition

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

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

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

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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 a 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 a 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 a 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 a municipality 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 a 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 Statutory receivables (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.

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.

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Accounting Policies

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 2021/07/01 to 2022/06/30.

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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Accounting Policies

1.29 Budget information (continued)

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.

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.

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Accounting Policies

1.35 Living and non-living resources (continued)

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 is 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 is 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.

1.36 Transitional provisions

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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.37 Tax (continued)

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 2022

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

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 2022 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): 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.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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.

The effective date of these revisions has 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): 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 has 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 2022

Notes to the Audited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is 01/04/2025.

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

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The effective date of this amendment is for years beginning on or after 01 April 2025.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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

3. Investment property

Economic entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	451 397 500	-	451 397 500	436 049 000	-	436 049 000

Controlling entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	451 397 500	-	451 397 500	436 049 000	-	436 049 000

Reconciliation of investment property - Economic entity - 2022

	Opening balance	Fair value adjustments	Total
Investment property	436 049 000	15 348 500	451 397 500

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 - Controlling entity - 2022

	Opening balance	Fair value adjustments	Total
Investment property	436 049 000	15 348 500	451 397 500

Reconciliation of investment property - Controlling entity - 2021

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

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 R403 194 251, (2021: R386 027 395) including repairs and maintenance expenses on investment properties. Refer to repairs and maintenance note 42 and commitments note 49.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

3. Investment property (continued)

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.

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 R12 736 422, (2021: R16 031 184).

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	84 478 976	-	84 478 976	84 478 975	-	84 478 975
Plant and machinery	167 240 733	(112 856 176)	54 384 557	161 859 176	(101 175 771)	60 683 405
Furniture and fixtures	299 025 293	(184 847 193)	114 178 100	285 054 796	(156 236 310)	128 818 486
Motor vehicles	644 504 121	(343 313 678)	301 190 443	629 059 064	(305 623 297)	323 435 767
IT equipment	1 565 438	(963 956)	601 482	1 347 664	(734 518)	613 146
Electricity infrastructure	12 638 668 488	(8 258 983 531)	4 379 684 957	11 887 853 770	(7 964 944 031)	3 922 909 739
Other property (halls, social housing)	2 634 724 965	(1 077 453 720)	1 557 271 245	2 398 552 171	(1 003 449 303)	1 395 102 868
Work in progress (WIP)	4 665 269 576	-	4 665 269 576	3 934 486 728	-	3 934 486 728
Recreational facilities	912 884 754	(631 815 232)	281 069 522	859 485 640	(597 539 787)	261 945 853
Roads	15 927 337 763	(9 756 592 711)	6 170 745 052	14 600 667 619	(9 099 568 564)	5 501 099 055
Wastewater network	5 731 500 906	(3 563 817 310)	2 167 683 596	5 445 452 667	(3 445 168 688)	2 000 283 979
Water network	8 268 454 795	(4 761 222 464)	3 507 232 331	7 411 927 812	(4 549 212 203)	2 862 715 609
Community buildings	2 554 606 932	(1 386 590 754)	1 168 016 178	2 337 854 227	(1 290 834 029)	1 047 020 198
Total	54 530 262 740	(30 078 456 725)	24 451 806 015	50 038 080 309	(28 514 486 501)	21 523 593 808

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Controlling entity

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	84 478 976	-	84 478 976	84 478 975	-	84 478 975
Plant and machinery	167 240 733	(112 856 176)	54 384 557	161 859 176	(101 175 771)	60 683 405
Furniture and fixtures	297 483 478	(184 235 618)	113 247 860	283 512 981	(155 891 689)	127 621 292
Motor vehicles	644 504 121	(343 313 678)	301 190 443	629 059 064	(305 623 297)	323 435 767
Electricity infrastructure	12 638 668 488	(8 258 983 531)	4 379 684 957	11 887 853 770	(7 964 944 031)	3 922 909 739
Other property (halls, social housing)	2 634 724 965	(1 077 453 720)	1 557 271 245	2 398 552 171	(1 003 449 303)	1 395 102 868
Work in progress (WIP)	4 665 269 576	-	4 665 269 576	3 934 486 728	-	3 934 486 728
Recreational facilities	912 884 754	(631 815 232)	281 069 522	859 485 640	(597 539 787)	261 945 853
Roads	15 927 337 763	(9 756 592 711)	6 170 745 052	14 600 667 619	(9 099 568 564)	5 501 099 055
Wastewater network	5 731 500 906	(3 563 817 310)	2 167 683 596	5 445 452 667	(3 445 168 688)	2 000 283 979
Water network	8 268 454 795	(4 761 222 464)	3 507 232 331	7 411 927 812	(4 549 212 203)	2 862 715 609
Community buildings	2 554 606 932	(1 386 590 754)	1 168 016 178	2 337 854 227	(1 290 834 029)	1 047 020 198
Total	54 527 155 487	(30 076 881 194)	24 450 274 293	50 035 190 830	(28 513 407 362)	21 521 783 468

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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 - 2022

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	84 478 975	-	-	-	-	-	84 478 975
Plant and machinery	60 683 405	5 451 465	(19 452)	-	(11 730 861)	-	54 384 557
Furniture and fixtures	128 818 486	14 772 624	(173 000)	-	(29 237 005)	(3 005)	114 178 100
Motor vehicles	323 435 767	15 937 148	(172 821)	-	(38 009 651)	-	301 190 443
IT equipment	613 146	376 246	(57 927)	-	(329 983)	-	601 482
Electricity infrastructure	3 922 909 739	269 745 776	(428 199)	483 806 735	(296 349 094)	-	4 379 684 957
Other properties (halls, social housing)	1 395 102 868	66 234 732	-	169 938 062	(74 004 417)	-	1 557 271 245
Work in progress (WIP)	3 934 486 728	730 782 848	-	-	-	-	4 665 269 576
Recreational facilities	261 945 853	3 643 103	-	49 756 010	(34 275 444)	-	281 069 522
Roads	5 501 099 055	175 825 538	-	1 150 844 605	(657 024 146)	-	6 170 745 052
Wastewater network	2 000 283 979	20 686 492	-	265 361 747	(118 648 622)	-	2 167 683 596
Water network	2 862 715 609	151 257 028	-	705 269 956	(212 010 262)	-	3 507 232 331
Community buildings	1 047 020 198	13 393 107	-	203 359 598	(95 756 725)	-	1 168 016 178
	21 523 593 808	1 468 106 107	(851 399)	3 028 336 713	(1 567 376 210)	(3 005)	24 451 806 014

BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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	84 478 975	-	-	-	-	84 478 975
Plant and machinery	35 722 117	32 863 594	(12 914)	4 224	(7 893 616)	60 683 405
Furniture and fixtures	115 889 333	40 307 340	3 277 770	99 756	(30 755 713)	128 818 486
Motor vehicles	294 900 937	75 350 306	(16 610 961)	-	(30 204 515)	323 435 767
IT equipment	192 912	611 655	(2 238)	-	(189 183)	613 146
Electricity infrastructure	3 535 443 705	222 764 699	(1 045 786)	419 363 753	(253 616 632)	3 922 909 739
Other properties (halls, social housing)	1 040 972 398	366 449 735	(31 958 906)	83 211 626	(63 571 985)	1 395 102 868
Work in progress (WIP)	3 490 957 194	443 529 534	-	-	-	3 934 486 728
Recreational facilities	254 608 718	7 004 267	(8 103 868)	39 314 757	(30 878 021)	261 945 853
Roads	4 853 455 520	366 974 713	-	858 483 663	(577 814 841)	5 501 099 055
Wastewater network	1 843 392 236	42 935 133	-	221 505 239	(107 548 629)	2 000 283 979
Water network	2 633 324 906	51 829 561	-	375 627 493	(198 066 351)	2 862 715 609
Community buildings	974 922 318	28 026 684	-	129 807 452	(85 736 256)	1 047 020 198
	19 158 261 269	1 678 647 221	(54 456 903)	2 127 417 963	(1 386 275 742)	21 523 593 808

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	84 478 975	-	-	-	-	84 478 975
Plant and machinery	60 683 405	5 451 465	(19 452)	-	(11 730 861)	54 384 557
Furniture and fixtures	127 621 292	14 772 624	(173 000)	-	(28 973 056)	113 247 860
Motor vehicles	323 435 767	15 937 148	(172 821)	-	(38 009 651)	301 190 443
Electricity infrastructure	3 922 909 739	269 745 776	(428 199)	483 806 735	(296 349 094)	4 379 684 957
Other properties (halls, social housing)	1 395 102 868	66 234 732	-	169 938 062	(74 004 417)	1 557 271 245
Work in progress (WIP)	3 934 486 728	730 782 848	-	-	-	4 665 269 576
Recreational facilities	261 945 853	3 643 103	-	49 756 010	(34 275 444)	281 069 522
Roads	5 501 099 055	175 825 538	-	1 150 844 605	(657 024 146)	6 170 745 052
Wastewater network	2 000 283 979	20 686 492	-	265 361 747	(118 648 622)	2 167 683 596
Water network	2 862 715 609	151 257 028	-	705 269 956	(212 010 262)	3 507 232 331
Community buildings	1 047 020 198	13 393 107	-	203 359 598	(95 756 725)	1 168 016 178
	21 521 783 468	1 467 729 861	(793 472)	3 028 336 713	(1 566 782 278)	24 450 274 292

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	84 478 975	-	-	-	-	84 478 975
Plant and machinery	35 722 117	32 863 594	(12 914)	4 224	(7 893 616)	60 683 405
Furniture and fixtures	114 698 123	40 068 686	3 278 350	99 756	(30 523 623)	127 621 292
Motor vehicles	294 900 937	75 350 306	(16 610 961)	-	(30 204 515)	323 435 767
Electricity infrastructure	3 535 443 705	222 764 699	(1 045 786)	419 363 753	(253 616 632)	3 922 909 739
Other properties (halls, social housing)	1 040 972 398	366 449 735	(31 958 906)	83 211 626	(63 571 985)	1 395 102 868
Work in progress (WIP)	3 490 957 194	443 529 534	-	-	-	3 934 486 728
Recreational facilities	254 608 718	7 004 267	(8 103 868)	39 314 757	(30 878 021)	261 945 853
Roads	4 853 455 520	366 974 713	-	858 483 663	(577 814 841)	5 501 099 055
Wastewater network	1 843 392 236	42 935 133	-	221 505 239	(107 548 629)	2 000 283 979
Water network	2 633 324 906	51 829 561	-	375 627 493	(198 066 351)	2 862 715 609
Community buildings	974 922 318	28 026 684	-	129 807 452	(85 736 256)	1 047 020 198
	19 156 877 147	1 677 796 912	(54 454 085)	2 127 417 963	(1 385 854 469)	21 521 783 468

Proceeds on disposal of Property, plant and equipment

		2022	2021	2022	2021
Carrying value of Property, plant and equipment		851 399	54 456 903	793 472	54 454 085
Net gain/(loss) on disposal of assets	44	528 642	(16 625 064)	470 508	(16 622 245)
		1 380 041	37 831 839	1 263 980	37 831 840

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 2022 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.

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

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4. Property, plant and equipment (continued)

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	2022	2021	2022	2021
Buildings	984 170 551	817 934 958	984 170 551	817 934 958
Community facilities	204 453 897	164 251 360	204 453 897	164 251 360
Electricity	62 796 929	59 265 956	62 796 929	59 265 956
Other assets	201 478 531	134 030 896	201 478 531	134 030 896
Roads	1 907 377 345	1 532 449 401	1 907 377 345	1 532 449 401
Sanitation	748 062 092	678 124 615	748 062 092	678 124 615
Water supply	556 930 231	548 429 542	556 930 231	548 429 542
	4 665 269 576	3 934 486 728	4 665 269 576	3 934 486 728

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/1319/2013	67 months	Illegal occupation on incomplete houses. National Covid-19 lockdowns.
BCMM/COO/HM/1300/2013	75 months	Beneficiary were reluctant to move off the development site. Delays in approvals of general plan.
BCMM/COO/HM/1384/2017	23 months	Late NHBRC approval. Late receipt of subsidy agreement. Contractor cashflow related problems.
BCMM/COO/HM/1299/2013	62 months	Land transfer from Department of Rural Development and Land Reform to BCMM.

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.

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5. Intangible assets

Economic entity	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	43 142 941	(32 296 084)	10 846 857	42 887 895	(29 878 184)	13 009 711

Controlling entity	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	38 485 598	(28 415 085)	10 070 513	38 485 599	(26 514 621)	11 970 978

Reconciliation of intangible assets - Economic entity - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	13 009 711	255 048	(2 417 902)	10 846 857

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	15 209 978	387 504	(2 587 771)	13 009 711

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5. Investment property (continued)

Reconciliation of intangible assets - Controlling entity - 2022

	Opening balance	Amortisation	Total
Computer software	11 970 978	(1 900 465)	10 070 513

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Amortisation	Total
Computer software	13 798 622	(1 827 644)	11 970 978

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6. Heritage assets

Economic entity	2022			2021		
	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	2022			2021		
	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 - 2022

	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
Total	50 513 440	50 513 440

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6. Heritage assets (continued)

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

Reconciliation of heritage assets - Controlling entity - 2022

	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

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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	2022	2021 *Restated	2022	2021 *Restated

7. Investment in associates

Name	Jurisdiction	Principal activity	Economic Entity		Controlling Entity	
			Carrying amount 2022	Carrying amount 2021	Carrying amount 2022	Carrying amount 2021
East London Industrial Development Zone (Pty)Ltd		Development of East London's Industrial Development Zone.	706 317 270	676 448 508	706 317 270	676 448 508
% holding			26 %	26 %	26 %	26 %

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

Movements in carrying amount

Opening balance	676 448 508	703 076 035	676 448 508	703 076 035
Share in surplus/(deficit) for the year	29 868 762	(26 627 528)	29 868 762	(26 627 528)
	706 317 270	676 448 508	706 317 270	676 448 508

Investment in associate at 30 June 2022 amounted to R706 317 270 (2021: R676 448 508).

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	762 187 183	781 408 364	762 187 183	781 408 364
Total liabilities	(55 869 653)	(104 959 598)	(55 869 653)	(104 959 598)
Total equity	706 317 270	676 448 508	706 317 270	676 448 508
Share in surplus/(deficit) for the year	29 868 762	(26 627 528)	29 868 762	(26 627 528)
Surplus - opening balance	676 448 508	703 076 035	676 448 508	703 076 035

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 2021 to 31 March 2022.

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 2021 - 31 March 2022.

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	2022	2021 *Restated	2022	2021 *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	292 059 699	448 014 147	292 059 699	448 014 147
Non-current assets	2 639 429 465	2 557 402 645	2 639 429 465	2 557 402 645
Current liabilities	(214 883 279)	(403 690 765)	(214 883 279)	(403 690 765)
Revenue	568 864 498	702 365 286	568 864 498	702 365 286
Expenditure	(453 984 460)	(804 778 857)	(453 984 460)	(804 778 857)
Surplus or deficit	114 879 858	(102 413 571)	114 879 858	(102 413 571)

8. Operating lease liability

Current liabilities	(68 368)	(99 404)	-	-
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The Agency entered into lease agreements for its two multifunctional printers and office space. GRAP 13 requires straightlining of the lease payments over the duration of the lease term. The lease for the office space has an escalation clause of 7% per annum. The above operating 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	787 215 000	684 817 000	787 215 000	684 817 000
Current service cost	53 883 000	41 081 000	53 883 000	41 081 000
Interest cost	95 299 000	62 882 000	95 299 000	62 882 000
Actual employer benefit payments	(52 874 000)	(42 158 000)	(52 874 000)	(42 158 000)
Actuarial loss/(gain) recognised in the year	(28 647 000)	40 593 000	(28 647 000)	40 593 000
	854 876 000	787 215 000	854 876 000	787 215 000
Non-current liabilities	(825 728 000)	(761 616 000)	(825 728 000)	(761 616 000)
Current liabilities	(29 148 000)	(25 599 000)	(29 148 000)	(25 599 000)
Net liability	(854 876 000)	(787 215 000)	(854 876 000)	(787 215 000)

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
9. Employee benefit obligations (continued)				
Net costs				
Current service cost	53 883 000	41 081 000	53 883 000	41 081 000
Interest cost	95 299 000	62 882 000	95 299 000	62 882 000
Actual employer benefit payments	(52 874 000)	(42 158 000)	(52 874 000)	(42 158 000)
Actuarial loss/(gains) recognised in the year	(28 647 000)	40 593 000	(28 647 000)	40 593 000
Net costs per Statement of Financial Performance	67 661 000	102 398 000	67 661 000	102 398 000

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

Balance at the beginning of the year	512 157 000	454 831 000	512 157 000	454 831 000
Current service cost	28 544 000	19 568 000	28 544 000	19 568 000
Interest costs	66 249 000	46 136 000	66 249 000	46 136 000
Actual employer benefit payments	(20 422 000)	(20 009 000)	(20 422 000)	(20 009 000)
Actuarial loss/(gain) recognised in the year	(53 053 000)	11 631 000	(53 053 000)	11 631 000
Net costs per Statement of Financial Performance	533 475 000	512 157 000	533 475 000	512 157 000

Post-retirement medical contribution - Net cost

Current service cost	28 544 000	19 568 000	28 544 000	19 568 000
Interest costs	66 249 000	46 136 000	66 249 000	46 136 000
Actual employer benefit payments	(20 422 000)	(20 009 000)	(20 422 000)	(20 009 000)
Actuarial loss/(gains) recognised in the year	(53 053 000)	11 631 000	(53 053 000)	11 631 000
	21 318 000	57 326 000	21 318 000	57 326 000

The best estimates for the employer benefit payments in the 2022/23 financial period is expected to be R20 881 000 (The actual employer benefit payments in the 2021/22 financial period was R20 422 000).

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.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
9. Employee benefit obligations (continued)				
Key assumptions used				
Assumptions used at the reporting date:				
Discount rates	11.82 %	8.26 %	11.82%	8.26%
CPI (Consumer Price Inflation)	8.02 %	5.33 %	8.02%	5.33%
Medical aid contribution inflation	9.52 %	6.83 %	9.52%	6.83%
Net effective discount rate	2.10 %	1.34 %	2.10%	1.34%
Maximum subsidy inflation rate	6.01 %	4.73 %	6.01%	4.73%
Net-of-maximum-subsidy-inflation discount rate	5.34 %	3.37 %	5.34%	3.37%
Continuation of membership at retirement	75.00 %	75.00 %	75.00%	75.00%
Proportion with a spouse dependent at retirement	90.00 %	90.00 %	90.00%	90.00%
Average retirement age	62	62	62	62
Mortality during employment	SA 85-90	SA 85-90	SA 85-90	SA 85-90
Mortality post-employment	PA(90)	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90)	PA(90) -1 with a 1% mortality improvement p.a. from 2010
In-service members				
Number of in-service members	3 517	3 622	3 517	3 622
Average age	46.4	46.0	46.4	46.0
Average past service	13.6	13.1	13.6	13.1
Number of spouses	983	1 040	983	1 040
Average current value of post-employment subsidy p.m.	R 2 210	R 1 399	R 2 210	R 1 399
Continuation members				
Number of principal members	496	492	496	492
Proportion with a spouse dependent	0.38	0.38	0.38	0.38
Average age of members	73.6	74.3	73.6	74.3
Average subsidy per month	R 3 170	R 3 310	R 3 170	R 3 310

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	2022	2021 *Restated	2022	2021 *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	361 012 000	336 761 000	315 926 000
Continuation members	212 973 000	196 714 000	183 543 000
Total accrued liability	573 985 000	533 475 000	499 469 000
Interest cost	68 050 000	63 160 000	59 054 000
Service cost	23 898 000	22 208 000	20 754 000

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.

	-1% Medical aid inflation	Valuation assumption	+1% Medical aid inflation
In-service members	310 570 000	336 761 000	356 072 000
Continuation members	187 418 000	197 714 000	205 014 000
Total accrued liability	497 988 000	533 475 000	561 086 000
Interest cost	58 851 000	63 160 000	66 506 000
Service cost	20 279 000	22 208 000	23 597 000

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.

	-1% Discount rate	Valuation assumption	+1% Discount rate
In-service members	342 351 000	336 761 000	331 007 000
Continuation members	197 632 000	196 714 000	195 739 000
Total accrued liability	539 983 000	533 475 000	526 746 000
Interest cost	58 546 000	63 160 000	67 611 000
Service cost	22 633 000	22 208 000	21 771 000

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *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

	1-year decrease	Valuation assumption
In-service members	375 790 000	336 761 000
Continuation members	196 714 000	196 714 000
Total accrued liability	572 504 000	533 475 000
Interest cost	67 797 000	63 160 000
Service cost	23 416 000	22 208 000

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.

	-10% continuation rate	Valuation assumption
In-service members	291 859 000	336 761 000
Continuation members	196 714 000	196 714 000
Total accrued liability	488 573 000	533 475 000
Interest cost	57 691 000	63 160 000
Service cost	19 247 000	22 208 000

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	30/06/2018	30/06/2019	30/06/2020	30/06/2021	30/06/2022
Accrued liability	537.975	511.869	454.831	512.157	533.474
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	(537.975)	(511.869)	(454.831)	(512.157)	(533.474)

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 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Liabilities: (Gain) / Loss	(1.794)	(3.964)	(12.365)	55.349	50.570
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

9. Employee benefit obligations (continued)

Long service awards amounts recognised in the statement of financial position

Balance at the beginning of the year	275 058 000	229 986 000	275 058 000	229 986 000
Current service cost	25 339 000	21 513 000	25 339 000	21 513 000
Interest cost	29 050 000	16 746 000	29 050 000	16 746 000
Actual employer benefit payments	(32 452 000)	(22 149 000)	(32 452 000)	(22 149 000)
Actuarial loss recognised in the year	24 406 000	28 962 000	24 406 000	28 962 000
	321 401 000	275 058 000	321 401 000	275 058 000

Long service awards - Net cost

Current service cost	25 339 000	21 513 000	25 339 000	21 513 000
Interest costs	29 050 000	16 746 000	29 050 000	16 746 000
Employer benefits vesting	(32 452 000)	(22 149 000)	(32 452 000)	(22 149 000)
Actuarial losses recognised in the year	24 406 000	28 962 000	24 406 000	28 962 000
	46 343 000	45 072 000	46 343 000	45 072 000

Key assumptions used

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

These interest rates are obtained by first calculating the implied duration of the liabilities and then taking the interest rates that correspond to this implied duration off the yield curves. The implied duration of the liabilities is calculated to be 6.14 years.

Assumptions used at the reporting date:

Discount rate	10.52 %	8.59 %	10.52	8.59 %
CPI (Consumer Price Inflation)	7.45 %	5.58 %	7.45	5.58 %
Normal salary increase rate	8.45 %	6.58 %	8.45	6.58 %
Net effective discount rate	1.91 %	1.89 %	1.91	1.89 %

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%.

	-20% Withdrawal rate	Valuation assumption	+20% Withdrawal rate
Total accrued liability	333 222 000	321 401 000	310 411 000
Current service cost	28 915 000	27 543 000	26 285 000
Interest cost	39 070 000	37 591 000	36 218 000

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

9. Employee benefit obligations (continued)

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.

	-1% Normal salary inflation	Valuation assumption	+1% Normal salary inflation
Total accrued liability	304 403 000	321 401 000	339 940 000
Current service cost	25 853 000	27 543 000	29 407 000
Interest cost	35 482 000	37 591 000	39 893 000

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.

	-1% Discount rate	Valuation assumption	+1% Discount rate
Total accrued liability	338 226 000	321 401 000	303 405 000
Current service cost	29 400 000	27 543 000	25 830 000
Interest cost	39 689 000	37 591 000	35 112 000

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.

	2 year decrease in Average Retirement Age	Valuation assumption	2 year increase in Average Retirement Age
Total accrued liability	268 943 000	321 401 000	384 108 000
Current service cost	24 295 000	27 543 000	31 099 000
Interest cost	31 197 000	37 591 000	45 215 000

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

9. Employee benefit obligations (continued)

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	30/06/2022
Accrued liability	195.180	216.947	229.986	275.058	321.401
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	(195.180)	(216.947)	(229.986)	(275.058)	(321.401)

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	Year ending 30/06/2022
Liabilities: (Gain) / Loss	12 628 230	18 797 262	5 198 000	25 383 000
Assets: Gain / (Loss)	0.000	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 to the fund. The entity is under no obligation to cover any unfunded benefits. kindly refer to note 39 for the amounts paid to the fund.

The entity is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	1 791 473	1 747 649	-	-
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10. Inventories

Electricity store (Electrical maintenance parts)	8 172 313	8 352 201	8 172 313	8 352 201
Workshop store (Mechanical maintenance parts)	433 534	308 099	433 534	308 099
Water store (Water maintenance parts)	2 668 306	3 210 894	2 668 306	3 210 894
Unsold water (Treated water in pipelines & reservoirs)	13 493 759	11 773 522	13 493 759	11 773 522
General stores (Chiselhurst, Mdantsane, KWT)	19 930 338	14 151 961	19 882 369	14 091 255
	44 698 250	37 796 677	44 650 281	37 735 971
Inventories (write-downs)	(488 477)	(702 379)	(502 895)	(689 642)
	44 209 773	37 094 298	44 147 386	37 046 329

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.

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	2022	2021 *Restated	2022	2021 *Restated

11. Prepayments

The prepayment relates to office space rental invoice that was received and paid in June, however dated 01 July 2022.

Prepayments	104 436	97 604	-	-
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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
12. Receivables from non-exchange transactions				
Traffic fines	272 165 361	261 366 487	272 165 361	261 366 487
Other receivables (billing)	258 698 310	220 324 187	258 698 310	220 324 187
Other debtors	23 374 620	24 826 024	23 374 620	24 826 024
Property rates	1 281 612 169	1 019 019 486	1 281 612 169	1 019 019 486
Allowance for impairment property rates and other receivables billing	(1 007 720 230)	(750 172 173)	(1 007 720 230)	(750 172 173)
	828 130 230	775 364 011	828 130 230	775 364 011
Property rates				
Current (0-30 days)	163 152 823	121 053 587	163 152 823	121 053 587
31-60 days	61 079 493	51 354 487	61 079 493	51 354 487
61-90 days	44 986 263	38 570 987	44 986 263	38 570 987
91-120 days	40 179 794	33 390 949	40 179 794	33 390 949
121-365 days	256 328 710	253 870 083	256 328 710	253 870 083
>365 days	715 885 086	520 779 392	715 885 086	520 779 392
	1 281 612 169	1 019 019 485	1 281 612 169	1 019 019 485
Less: Allowance for Impairment - Property Rates				
Current (0-30 days)	(77 909 431)	(52 803 911)	(77 909 431)	(52 803 911)
31-60 days	(29 166 940)	(22 400 970)	(29 166 940)	(22 400 970)
61-90 days	(21 482 032)	(16 824 772)	(21 482 032)	(16 824 772)
91-120 days	(19 186 827)	(14 565 225)	(19 186 827)	(14 565 225)
121-365 days	(122 403 178)	(110 738 838)	(122 403 178)	(110 738 838)
>365 days	(398 040 395)	(224 415 610)	(398 040 395)	(224 415 610)
	(668 188 803)	(441 749 326)	(668 188 803)	(441 749 326)
Other Receivables (Billing)				
Current (0-30 days)	10 448 734	12 467 520	10 448 734	12 467 520
31-60 days	5 372 251	4 363 465	5 372 251	4 363 465
61-90 days	5 062 334	3 345 189	5 062 334	3 345 189
91-120 days	4 101 376	3 242 483	4 101 376	3 242 483
121-365 days	30 554 086	33 792 357	30 554 086	33 792 357
>365 days	203 159 529	163 113 173	203 159 529	163 113 173
	258 698 310	220 324 187	258 698 310	220 324 187
Less: Allowance for Impairment - Other Receivables (Billing)				
Current (0-30 days)	(4 394 265)	(4 944 763)	(4 394 265)	(4 944 763)
31-60 days	(2 259 325)	(1 773 973)	(2 259 325)	(1 773 973)
61-90 days	(2 128 989)	(1 359 991)	(2 128 989)	(1 359 991)
91-120 days	(1 724 853)	(1 318 236)	(1 724 853)	(1 318 236)
121-365 days	(12 849 667)	(13 738 331)	(12 849 667)	(13 738 331)
>365 days	(85 649 135)	(65 739 704)	(85 649 135)	(65 739 704)
	(109 006 234)	(88 874 998)	(109 006 234)	(88 874 998)
Traffic Fines				
Opening Balance - Total Outstanding Fines (Based on prior 3 years)	261 366 487	188 587 689	261 366 487	188 587 689
Less: Outstanding Fines in respect of prior third year	(71 772 208)	(50 581 458)	(71 772 208)	(50 581 458)
Total Traffic Fines Issued BCMM	100 577 050	139 003 423	100 577 050	139 003 423
Traffic Fines withdrawn, untraceable and uncollectable	(5 477 690)	(3 123 100)	(5 477 690)	(3 123 100)
Traffic Fines Paid	(12 528 278)	(12 520 066)	(12 528 278)	(12 520 066)

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12. Receivables from non-exchange transactions (continued)				
Total Outstanding Fines	272 165 361	261 366 487	272 165 361	261 366 487
Impairment (Based on a probability collection factor of approx. 15% - 2022 and 16% - 2021)	(230 525 193)	(219 547 849)	(230 525 193)	(219 547 849)
Traffic Fines Debtor	41 640 168	41 818 638	41 640 168	41 818 638
Statutory receivables included in receivables from non-exchange transactions above are as follows:				
Property rates - Gross	1 281 612 169	1 019 019 486	1 281 612 169	1 019 019 486
Property rates - Impairment	(668 188 803)	(441 749 326)	(668 188 803)	(441 749 326)
Traffic fines - Gross	272 165 361	261 366 487	272 165 361	261 366 487
Traffic fines - Impairment	(230 525 193)	(219 547 849)	(230 525 193)	(219 547 849)
	655 063 534	619 088 798	655 063 534	619 088 798
Financial asset receivables included in receivables from non-exchange transactions above	173 066 696	156 275 213	173 066 696	156 275 213
Total receivables from non-exchange transactions	828 130 230	775 364 011	828 130 230	785 494 088

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 2022, other receivables from non-exchange transactions of R (777 195 037) (2021: R (530 624 324)) were impaired and provided for.

Amounts totalling R79 730 229 (2021: R77 753 712) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2021: 1%) of the total operating income for the year.

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

Opening balance	(530 624 324)	(445 917 239)	(530 624 324)	(445 917 239)
Provision for impairment	(326 300 942)	(162 460 797)	(326 300 942)	(162 460 797)
Amounts written off as uncollectible	79 730 229	77 753 712	79 730 229	77 753 712
	(777 195 037)	(530 624 324)	(777 195 037)	(530 624 324)

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 36). 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.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
13. Receivables from exchange transactions				
Gross balances				
Electricity	886 531 402	664 807 424	886 531 402	664 807 424
Water	2 136 005 178	1 421 342 609	2 136 005 178	1 421 342 609
Waste water	552 018 170	442 539 265	552 018 170	442 539 265
Refuse	656 493 959	523 408 609	656 493 959	523 408 609
Sundry debtors - BCMDA	2 237 747	176 760	-	-
Rental debtors	85 079 713	76 804 503	85 079 713	76 804 503
Accrued income	351 483 328	341 108 361	351 483 328	341 108 361
VAT Accrual	102 297 928	208 412 289	98 447 533	208 355 687
VAT Control	32 731 364	40 756 217	32 623 324	39 774 971
	4 804 878 789	3 719 356 037	4 798 682 607	3 718 141 429
Less: Allowance for impairment				
Electricity	(579 445 974)	(295 626 890)	(579 445 974)	(295 626 890)
Water	(1 543 828 537)	(1 158 919 355)	(1 543 828 537)	(1 158 919 355)
Waste water	(341 989 516)	(202 474 855)	(341 989 516)	(202 474 855)
Refuse	(387 891 351)	(222 566 518)	(387 891 351)	(222 566 518)
Rental debtors	(68 071 545)	(63 285 970)	(68 071 545)	(63 285 970)
	(2 921 226 923)	(1 942 873 588)	(2 921 226 923)	(1 942 873 588)
Net balance				
Electricity	307 085 428	369 180 534	307 085 428	369 180 534
Water	592 176 641	262 423 254	592 176 641	262 423 254
Waste water	210 028 654	240 064 410	210 028 654	240 064 410
Refuse	268 602 608	300 842 091	268 602 608	300 842 091
Sundry debtors - BCMDA	2 237 747	176 760	-	-
Rental debtors	17 008 168	13 518 533	17 008 168	13 518 533
Accrued income	351 483 328	341 108 361	351 483 328	341 108 361
VAT Accrual	102 297 928	208 412 289	98 447 533	208 355 687
VAT Control	32 731 364	40 756 217	32 623 324	39 774 971
	1 883 651 866	1 776 482 449	1 877 455 684	1 775 267 841
Statutory receivables included in exchange receivables above are as follows:				
VAT Accrual	102 297 928	208 412 289	98 447 533	208 355 687
VAT Control	32 731 364	40 756 217	32 623 324	39 774 971
	135 029 292	249 168 506	131 070 857	248 130 658
Financial asset receivables included in exchange receivables above				
	1 748 622 574	1 527 313 943	1 746 384 827	1 527 137 183
Total exchange receivables				
	1 883 651 866	1 776 482 449	1 877 455 684	1 775 267 841
Electricity				
Current (0 -30 days)	303 341 437	244 194 992	303 341 437	244 194 992
31 - 60 days	49 643 160	37 450 841	49 643 160	37 450 841
61 - 90 days	39 066 559	24 646 226	39 066 559	24 646 226
91 - 120 days	31 745 479	17 870 966	31 745 479	17 870 966
121 - 365 days	140 204 796	120 484 580	140 204 796	120 484 580
> 365 days	322 529 972	220 159 819	322 529 972	220 159 819
	886 531 403	664 807 424	886 531 403	664 807 424

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
13. Receivables from exchange transactions (continued)				
Water				
Current (0 -30 days)	160 884 488	256 074 725	160 884 488	256 074 725
31 - 60 days	72 713 825	69 635 001	72 713 825	69 635 001
61 - 90 days	74 764 270	58 094 001	74 764 270	58 094 001
91 - 120 days	118 094 505	84 992 522	118 094 505	84 992 522
121 - 365 days	707 679 246	572 645 506	707 679 246	572 645 506
> 365 days	1 001 868 844	379 900 854	1 001 868 844	379 900 854
	2 136 005 178	1 421 342 609	2 136 005 178	1 421 342 609
Waste water				
Current (0 -30 days)	64 685 937	39 741 018	64 685 937	39 741 018
31 - 60 days	20 030 859	16 375 173	20 030 859	16 375 173
61 - 90 days	15 139 517	12 192 211	15 139 517	12 192 211
91 - 120 days	13 099 912	11 272 166	13 099 912	11 272 166
121 - 365 days	89 519 900	115 023 586	89 519 900	115 023 586
> 365 days	349 542 045	247 935 111	349 542 045	247 935 111
	552 018 170	442 539 265	552 018 170	442 539 265
Refuse				
Current (0 -30 days)	47 905 976	32 855 515	47 905 976	32 855 515
31 - 60 days	21 602 347	25 990 039	21 602 347	25 990 039
61 - 90 days	17 117 739	11 942 484	17 117 739	11 942 484
91 - 120 days	15 378 290	11 152 974	15 378 290	11 152 974
121 - 365 days	115 790 468	134 847 641	115 790 468	134 847 641
> 365 days	438 699 139	306 619 956	438 699 139	306 619 956
	656 493 959	523 408 609	656 493 959	523 408 609
Rental debtors				
Current (0 -30 days)	3 436 340	4 337 317	3 436 340	4 337 317
31 - 60 days	1 766 805	1 518 003	1 766 805	1 518 003
61 - 90 days	1 664 881	1 163 755	1 664 881	1 163 755
91 - 120 days	1 348 845	1 128 025	1 348 845	1 128 025
121 - 365 days	10 048 511	11 756 000	10 048 511	11 756 000
> 365 days	66 814 331	56 901 403	66 814 331	56 901 403
	85 079 713	76 804 503	85 079 713	76 804 503

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	2022	2021 *Restated	2022	2021 *Restated
13. Receivables from exchange transactions (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	340 433 751	376 216 851	340 433 751	376 216 851
31 - 60 days	151 935 954	138 158 105	151 935 954	138 158 105
61 - 90 days	136 189 217	104 490 176	136 189 217	104 490 176
91 - 120 days	174 109 306	117 636 448	174 109 306	117 636 448
121 - 365 days	1 098 642 525	1 017 836 028	1 098 642 525	1 017 836 028
> 365 days	2 546 511 918	1 521 070 835	2 546 511 918	1 521 070 835
	4 447 822 671	3 275 408 443	4 447 822 671	3 275 408 443
Less: Allowance for impairment	(3 110 561 387)	(2 074 840 161)	(3 110 561 387)	(2 074 840 161)
	1 337 261 284	1 200 568 282	1 337 261 284	1 200 568 282
Industrial/ commercial				
Current (0 -30 days)	369 007 753	304 241 877	369 007 753	304 241 877
31 - 60 days	69 000 591	56 960 864	69 000 591	56 960 864
61 - 90 days	56 431 768	39 923 638	56 431 768	39 923 638
91 - 120 days	47 314 645	43 275 196	47 314 645	43 275 196
121 - 365 days	242 428 403	219 500 845	242 428 403	219 500 845
> 365 days	538 362 288	365 877 996	538 362 288	365 877 996
	1 322 545 448	1 029 780 416	1 322 545 448	1 029 780 416
Less: Allowance for impairment	(587 860 572)	(395 207 650)	(587 860 572)	(395 207 650)
	734 684 876	634 572 766	734 684 876	634 572 766
National and provincial government				
Current (0 -30 days)	44 414 231	30 265 947	44 414 231	30 265 947
31 - 60 days	11 272 195	11 568 041	11 272 195	11 568 041
61 - 90 days	5 180 577	5 541 041	5 180 577	5 541 041
91 - 120 days	2 524 251	2 138 441	2 524 251	2 138 441
121 - 365 days	9 054 789	5 082 882	9 054 789	5 082 882
> 365 days	13 624 740	8 909 500	13 624 740	8 909 500
	86 070 783	63 505 852	86 070 783	63 505 852
Total				
Current (0 -30 days)	753 855 735	710 724 675	753 855 735	710 724 675
31 - 60 days	232 208 740	206 687 009	232 208 740	206 687 009
61 - 90 days	197 801 562	149 954 854	197 801 562	149 954 854
91 - 120 days	223 948 202	163 050 085	223 948 202	163 050 085
121 - 365 days	1 350 125 717	1 242 419 755	1 350 125 717	1 242 419 755
> 365 days	3 098 517 426	1 891 576 312	3 098 517 426	1 891 576 312
	5 856 457 382	4 364 412 690	5 856 457 382	4 364 412 690
Less: Allowance for impairment	(3 698 421 959)	(2 470 047 811)	(3 698 421 959)	(2 470 047 811)
	2 158 035 423	1 894 364 879	2 158 035 423	1 894 364 879
Less: Allowance for impairment				
Current (0 -30 days)	(461 929 140)	(398 086 502)	(461 929 140)	(398 086 502)
31 - 60 days	(142 287 150)	(115 058 192)	(142 287 150)	(115 058 192)
61 - 90 days	(121 203 967)	(86 114 026)	(121 203 967)	(86 114 026)
91 - 120 days	(137 225 460)	(100 907 184)	(137 225 460)	(100 907 184)
121 - 365 days	(827 296 767)	(744 995 722)	(827 296 767)	(744 995 722)
> 365 days	(2 008 479 475)	(1 024 886 184)	(2 008 479 475)	(1 024 886 184)

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	2022	2021 *Restated	2022	2021 *Restated
13. Receivables from exchange transactions (continued)	(3 698 421 959)	(2 470 047 810)	(3 698 421 959)	(2 470 047 810)
Total debtor past due but not impaired				
Current (0 -30 days)	89 921 591	91 628 817	89 921 591	91 628 817
Gross debtors and debtors age analysis comparison				
Other Receivables (Billing)	258 698 310	220 324 188	258 698 310	220 324 188
Property Rates	1 281 612 169	1 019 019 486	1 281 612 169	1 019 019 486
Electricity	886 531 402	664 807 424	886 531 402	664 807 424
Water	2 136 005 178	1 421 342 609	2 136 005 178	1 421 342 609
Waste Water	552 018 170	442 539 265	552 018 170	442 539 265
Refuse	656 493 959	523 408 609	656 493 959	523 408 609
Rental debtors	85 079 713	76 804 503	85 079 713	76 804 503
Debtors age analysis inclusive of VAT	5 856 438 901	4 368 246 084	5 856 438 901	4 368 246 084

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 2022, consumer debtors of R 2 921 226 923 (2021: R (1 942 873 589)) were impaired and provided for.

Amounts totalling R250 829 875 as of 30 June 2022 (2021: R448 051 132) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2021: 1%) of the total operating income for the year.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(1 942 873 589)	(1 521 584 809)	(1 942 873 589)	(1 521 584 809)
Allowance for impairment	(1 229 183 209)	(869 339 912)	(1 229 183 209)	(869 339 912)
Amounts written off as uncollectible	250 829 875	448 051 132	250 829 875	448 051 132
	(2 921 226 923)	(1 942 873 589)	(2 921 226 923)	(1 942 873 589)

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 2022, 6350 (2021: 4600) debtors had active outstanding arrangements to the value of R173 504 944 (2021: R128 339 768). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

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	2022	2021 *Restated	2022	2021 *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.

The balance of accrued in income also composes of monies owed by the Provincial Department of Human Settlements for the construction of RDP Housing structures on behalf of the Department. BCMM and the Provincial Department have a level one accreditation agreement for the construction of housing structures, wherein the City uses its own funds in the construction of the said housing and will claim refund upon achieving agreed upon milestones per project.

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	2022	2021 *Restated	2022	2021 *Restated

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	90 222	86 244	86 832	84 607
Bank balances	117 609 355	250 689 351	100 379 409	231 362 158
Short-term deposits	579 757 238	894 631 683	576 557 238	894 631 683
	697 456 815	1 145 407 278	677 023 479	1 126 078 448

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

Own funding (operating account commitments)	579 757 238	894 631 683	576 557 238	894 631 683
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Call and short-term deposits per institution

Absa (interest rate range 3.55% - 4.35% : 2021 3.30% - 4.35%)	151 629 608	202 363 649	151 629 608	202 363 649
Nedbank (interest rate range 3.30% - 5.35% : 2021 3.30% - 4.21%)	132 430 484	248 667 350	129 230 484	248 667 350
FNB (interest rate range 3.85% - 5.49% : 2021 0)	141 258 781	-	141 258 781	-
RMB (interest rate range 3.30% - 3.63% : 2021 3.30% - 3.63%)	23 994 138	198 302 667	23 994 138	198 302 667
Standard Bank (interest rate range 3.30% - 4.25% : 2021 3.30% - 4.25%)	124 194 634	212 655 695	124 194 634	212 655 695
Stanlib (interest rate range 3.30% - 4.02% : 2020 6.1% - 8%)	6 249 593	32 642 322	6 249 593	32 642 322
	579 757 238	894 631 683	576 557 238	894 631 683

There is a significant drop in interest rates between the 2021 and 2022 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 Municipality in respect of the Department of Labour for COID amounts to R23 828 947 (2021: R19 824 932)

Refer to note 29 for interest earned on bank and call deposits.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *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 2022	30 June 2021	30 June 2022	30 June 2021
STANDARD BANK - Primary Account - 081-166-702	125 512 842	208 860 830	(190 835 642)	208 092 759
STANDARD BANK - Market Account - 081-167-873	634 330	2 186 244	2 630 506	2 751 903
STANDARD BANK - Prism Account - 081-167-776	-	-	288 584 545	20 517 496
STANDARD BANK - Charges Account 081-167-156	-	210	-	-
First National Bank - Public Sector Cheque Account - 620-9871-7899	1 381 147	6 659 766	1 381 146	6 659 766
First National Bank - Commercial Money market Account - 620-9871-9358	4 806 233	10 029 466	4 806 233	10 029 466
First National Bank- DEA Waste Management Public Sector Cheque Account - 627-4180-3177	-	68 586	-	68 586
First National Bank - Public Sector Cheque Account - 629-0192-1983	11 042 567	2 569 375	11 042 567	2 569 375
Total	143 377 119	230 374 477	117 609 355	250 689 351

15. Revaluation reserve

Opening balance	11 603 155 423	9 475 737 461	11 603 155 423	9 475 737 461
Change during the year	3 028 336 713	2 127 417 962	3 028 336 713	2 127 417 962
	14 631 492 136	11 603 155 423	14 631 492 136	11 603 155 423

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National Government Grants	54 981 344	44 243 265	45 801 542	41 937 996
Provincial Government Grants	6 448 309	6 279 910	6 448 309	6 279 910
Other Conditional Grants	1 701 676	2 309 897	1 701 676	2 309 897
Administrative Grants	220 354 013	214 170 839	220 354 013	214 170 839
	283 485 342	267 003 911	274 305 540	264 698 642

National Government	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Financial Management Grant (FMG)	50	1 000 000	(923 979)	(76 000)	-	71
Neighbourhood Development Partnership Grant (NDPG)	19 168	13 000 000	-	(11 947 988)	(1 069 081)	2 099
Neighbourhood Development Partnership Grant (NDP) PEP Programme and Project Preparation Support Grant (PPPSG)	-	20 581 000	(2 388 914)	-	-	18 192 086
Electricity Demand: Side Management Grant (EDSM)	-	8 941 000	(8 151 678)	-	(789 124)	198
Urban Settlement Development Grant (USDG)	273	9 000 000	-	(8 997 172)	-	3 101
Expanded Public Works Programme (EPWP)	32 884 870	499 705 000	(44 421 546)	(393 977 516)	(72 395 465)	21 795 343
Informal Settlements Upgrading Partnership Grant (ISUPG)	87	7 300 000	(7 299 991)	-	-	96
Integrated City Development Grant (ICDG)	-	238 258 000	(4 114 479)	(212 952 082)	(17 722 366)	3 469 073
Infrastructure Skills Development Grant (ISDG)	5 332 549	-	-	-	(5 332 549)	-
Public Transport Network Grant (PTNG)	3 547 105	10 500 000	(8 118 039)	(118 675)	(3 624 809)	2 185 582
DEA - Waste Management Conditional grant - BCMDA	153 893	-	-	-	-	153 893
NDPG - Integrated Waste Management Grant - BCMDA	71 030	629	(68 639)	-	-	3 020
Subtotal	2 234 239	12 712 473	(4 556 863)	-	(1 213 067)	9 176 782
	44 243 264	820 998 102	(80 044 128)	(628 069 433)	(102 146 461)	54 981 344
Provincial Government	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission Gompo Survey (DVRI Hydroponics)	1 300 070	1 261 771	-	-	(1 213 065)	1 348 776
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	98 532	-	-	-	-	98 532
Pilot Housing Project	861	-	-	-	-	861
	268 793	-	-	-	-	268 793

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
16. Unspent conditional grants and receipts (continued)						
Reeston Development - Land Affairs	192 858	7 256	-	-	-	200 114
Mdantsane Urban Renewal Project (Mount Ruth Node)	3 001 268	112 437	-	-	-	3 113 705
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
Subtotal	6 279 910	1 381 464	-	-	(1 213 065)	6 448 309
Other Conditional Grants						
	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Buffalo City Metro Transport (BCMETS) Funding	487 499	-	-	(484 546)	-	2 953
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	337 786	19 360	(191 083)	-	-	166 063
Leiden	87 347	3 431	-	-	-	90 778
Umsobomvu Youth Fund	289 050	12 392	-	-	-	301 442
City of Oldenburg	860 189	32 225	-	-	-	892 414
Subtotal	2 309 897	67 408	(191 083)	(484 546)	-	1 701 676
Administrative Grant						
	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Land Affairs - West Bank	115 215 548	4 265 458	-	-	-	119 481 006
Land Affairs - East Bank	98 955 291	1 917 716	-	-	-	100 873 007
Subtotal	214 170 839	6 183 174	-	-	-	220 354 013
National Government (2021)						
	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	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)	223 055 536	887 121 000	(96 925 554)	(880 538 166)	(99 827 946)	32 884 870
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 - BCMETA	3 893 366	2 078 453	(5 900 789)	-	-	71 030
NDPG - Integrated Waste Management Grant - BCMETA	-	2 234 239	-	-	-	2 234 239

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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
16. Unspent conditional grants and receipts (continued)						
Subtotal	315 099 300	936 208 692	(121 016 361)	(966 179 427)	(119 868 939)	44 243 265
Provincial Government (2021)	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
Mdantsane Upgrade - MD Assessment Study	175 288	-	-	-	-	175 288
Needscamp Planning	189 165	-	-	-	-	189 165
Department of Sports, Recreation, Arts and Culture (DSRAC)	937 253	-	-	-	-	937 253
	208 821	-	-	-	(208 821)	-
Subtotal	6 536 633	151 267	-	-	(407 989)	6 279 911
Other Conditional Grants (2021)	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
SALAIDA (Gavle)	748 731	31 387	(442 232)	-	-	337 886
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	2 214 681	537 547	(442 232)	-	-	2 309 996
Administrative Grant (2021)	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

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	2022	2021 *Restated	2022	2021 *Restated

16. Unspent conditional grants and receipts (continued)

Though an amount of R283 485 342 is reported as unspent conditional grants, this figure includes the following:

- An amount of R220 354 013 of the unspent conditional grants relates to land affairs grants which BCMM administers on behalf of the Department of Land Affairs and which have not been spent due to slow progress in the restitution processes. BCMM has no control on the spending or use of this funding.
- Other balances relate to ring fenced trust funding projects.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
17. Borrowings				
At amortised cost				
Annuity loans	187 994 371	233 184 927	187 994 371	233 184 927
Non-current liabilities				
At amortised cost	138 853 808	187 994 372	138 853 808	187 994 372
Current liabilities				
At amortised cost	49 140 563	45 190 555	49 140 563	45 190 555

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

No terms attached to the borrowings were re-negotiated.

Average interest rate is 8.77% (2021: 9.16%). Refer to note 37 for interest paid on borrowings.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

18. Provisions

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Provisions - Retentions	6 498 002	7 041 727	-	-	13 539 729
Landfill sites	365 526 866	52 037 749	-	-	417 564 615
Bonus provision	61 527 681	60 291 299	(55 594 076)	(4 479 128)	61 745 776
Provision - EL IDZ Defects	255 754	-	(255 754)	-	-
	433 808 303	119 370 775	(55 849 830)	(4 479 128)	492 850 120

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 - Controlling entity - 2022

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Landfill sites	365 526 866	52 037 749	-	-	417 564 615
Bonus provision	59 391 159	59 304 994	(54 912 031)	(4 479 128)	59 304 994
	424 918 025	111 342 743	(54 912 031)	(4 479 128)	476 869 609

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

Non-current liabilities	112 622 698	52 982 846	99 082 969	46 484 844
Current liabilities	380 227 422	380 825 457	377 786 640	378 433 181
	492 850 120	433 808 303	476 869 609	424 918 025

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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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

18. Provisions (continued)

Assumptions used:

- Interest rate used is BCMM's borrowing rate at 8.77% (2021: 9.16%).

- The valuation for the landfill site provision in 2022 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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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

19. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2022

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 748 622 574	1 748 622 574
Other receivables from non-exchange transactions	12	173 066 696	173 066 696
Cash and cash equivalents	14	697 456 815	697 456 815
		2 619 146 085	2 619 146 085

Financial liabilities

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	131 370 112	131 370 112
Payments received in advance	20	-	194 561 464	194 561 464
Borrowings: Other financial liabilities	17	-	187 994 371	187 994 371
Trade and other payables	20	-	869 152 975	869 152 975
Consumer deposits	22	79 793 423	-	79 793 423
Other deposits	20	8 453 840	-	8 453 840
Unspent conditional grants	16	-	283 485 342	283 485 342
		88 247 263	1 666 564 264	1 754 811 527

Economic entity - 2021

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 527 313 943	1 527 313 943
Other receivables from non-exchange transactions	12	156 275 213	156 275 213
Cash and cash equivalents	14	1 145 407 278	1 145 407 278
		2 828 996 434	2 828 996 434

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	-	939 801 150	939 801 150
Consumer deposits	22	74 226 105	-	74 226 105
Other deposits	20	7 989 736	-	7 989 736
Unspent conditional grants	16	-	267 003 911	267 003 911
		82 215 841	1 787 890 571	1 870 106 412

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

19. Financial instruments disclosure (continued)

Controlling entity - 2022

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 746 384 827	1 746 384 827
Other receivables from non-exchange transactions	12	173 066 696	173 066 696
Cash and cash equivalents	14	677 023 479	677 023 479
		2 596 475 002	2 596 475 002

Financial liabilities

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	131 370 112	131 370 112
Payments received in advance	20	-	194 561 464	194 561 464
Borrowings: Other financial liabilities	17	-	187 994 371	187 994 371
Trade and other payables from exchange transactions	20	-	882 993 183	882 993 183
Consumer deposits	22	79 793 423	-	79 793 423
Other deposits	20	8 453 840	-	8 453 840
Unspent conditional grants	16	-	274 305 540	274 305 540
		88 247 263	1 671 224 670	1 759 471 933

Controlling entity - 2021

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	13	1 527 137 183	1 527 137 183
Other receivables from non-exchange transactions	12	156 275 213	156 275 213
Cash and cash equivalents	14	1 126 078 448	1 126 078 448
		2 809 490 844	2 809 490 844

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	-	941 784 816	941 784 816
Consumer deposits	22	74 226 105	-	74 226 105
Other deposits	20	7 989 736	-	7 989 736
Unspent conditional grants	16	-	264 698 642	264 698 642
		82 215 841	1 787 568 968	1 869 784 809

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
20. Trade payables from exchange transactions				
Trade payables	697 796 061	708 133 006	713 579 525	711 727 179
Payments received in advanced	194 561 464	208 660 908	194 561 464	208 660 908
Retention monies	71 709 723	83 662 073	71 709 723	83 662 073
Accrued leave pay	131 370 112	139 239 675	131 370 112	139 239 675
Deposits received	8 453 840	7 989 736	8 453 840	7 989 736
Other creditors	99 647 191	148 006 071	97 703 935	146 395 564
VAT Accrual	143 066 627	259 724 390	139 892 062	259 389 230
	1 346 605 018	1 555 415 859	1 357 270 661	1 557 064 365

21. VAT

VAT Accrual - creditors	13	102 297 928	208 412 289	98 447 533	208 355 687
VAT Control	13	32 731 364	40 756 217	32 623 324	39 774 971
VAT Accrual - debtors	20	(143 066 627)	(259 724 390)	(139 892 062)	(259 389 230)
		(8 037 335)	(10 555 884)	(8 821 205)	(11 258 572)

The above VAT payable amount is the net amount of total VAT input R6 417 944 199 (June 2021: R5 861 866 871) less total VAT output R6 857 094 583 (June 2021: R6 135 299 074).

VAT Output includes VAT on impaired debtors of R431 113 049 (2021: R262 876 319)

Description

VAT on impaired debtors	431 113 049	262 876 319	431 113 049	262 876 319
Output VAT	(6 857 094 583)	(6 135 299 074)	(6 853 920 017)	(6 134 963 914)
Input VAT	6 417 944 199	5 861 866 871	6 413 985 763	5 860 829 023
	(8 037 335)	(10 555 884)	(8 821 205)	(11 258 572)

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	49 647 559	46 115 430	49 647 559	46 115 430
Water	30 145 864	28 110 675	30 145 864	28 110 675
	79 793 423	74 226 105	79 793 423	74 226 105

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 R79 793 423 (2021: R74 226 105).

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

23. Revenue

Service charges	4 312 992 772	3 869 643 522	4 312 992 772	3 869 643 522
Rental of facilities and equipment	21 116 429	24 222 075	21 116 429	24 222 075
Licences and permits (non-exchange)	12 127 953	12 411 425	12 127 953	12 411 425
Total other revenue	89 960 049	105 659 768	89 816 562	105 111 670
Interest received	154 468 720	119 653 827	153 746 938	119 165 691
Property rates	1 733 914 159	1 591 520 430	1 733 914 159	1 591 520 430
Interest, Dividends and Rent on Land	55 177 577	40 197 816	55 177 577	40 197 816
Government grants & subsidies	1 729 702 487	2 271 126 869	1 739 305 650	2 267 813 593
Levies	82 193 719	76 003 320	82 193 719	76 003 320
Public contributions and donations	2 293 545	14 978 941	2 293 545	14 978 941
Fines	12 407 778	16 659 092	12 407 778	16 659 092
Fuel levy	652 199 000	593 337 000	652 199 000	593 337 000
	8 858 554 188	8 735 414 085	8 867 292 082	8 731 064 575

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

Service charges	4 312 992 772	3 869 643 522	4 312 992 772	3 869 643 522
Rental of facilities and equipment	21 116 429	24 222 075	21 116 429	24 222 075
Total other revenue	89 960 049	105 659 768	89 816 562	105 111 670
Interest received	154 468 720	119 653 827	153 746 938	119 165 691
	4 578 537 970	4 119 179 192	4 577 672 701	4 118 142 958

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

23. Revenue (continued)

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

Taxation revenue

Property rates	1 733 914 159	1 591 520 430	1 733 914 159	1 591 520 430
Licences or permits	12 127 953	12 411 425	12 127 953	12 411 425
Interest, Dividends and Rent on Land	55 177 577	40 197 816	55 177 577	40 197 816

Transfer revenue

Government grants & subsidies	1 729 702 487	2 271 126 869	1 739 305 650	2 267 813 593
Levies	82 193 719	76 003 320	82 193 719	76 003 320
Public contributions and donations	2 293 545	14 978 941	2 293 545	14 978 941
Fines	12 407 778	16 659 092	12 407 778	16 659 092
Fuel levy	652 199 000	593 337 000	652 199 000	593 337 000

4 280 016 218 4 616 234 893 4 289 619 381 4 612 921 617

Fines are made up as follows:

Traffic fines movement	(178 469)	4 101 100	(178 469)	4 101 100
Revenue received	12 586 247	12 557 992	12 586 247	12 557 992
	12 407 778	16 659 092	12 407 778	16 659 092

Total fines outstanding at 30 June 2022 is R272 165 361 (R261 366 487 : 2021) after eliminating untraceable and collected fines. A probability factor of 15% (16% : 2021) collection of total outstanding fines was calculated resulting in a traffic fines debtor amount of R41 640 169 (R41 818 638 : 2021). 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	2 103 951 344	1 896 526 829	2 103 951 344	1 896 526 829
Sale of water	1 271 864 255	1 170 492 486	1 271 864 255	1 170 492 486
Sewerage and sanitation charges - Non Pans	360 934 063	336 519 214	360 934 063	336 519 214
Sewerage and sanitation charges - Pans	106 606 572	89 388 524	106 606 572	89 388 524
Refuse removal	388 555 132	361 406 794	388 555 132	361 406 794
Other service charges	112 732 892	58 890 208	112 732 892	58 890 208
Less: Income forgone - Sale of water	(29 195 667)	(35 665 872)	(29 195 667)	(35 665 872)
Less: Income forgone - Refuse removal	(2 455 819)	(7 914 661)	(2 455 819)	(7 914 661)
	4 312 992 772	3 869 643 522	4 312 992 772	3 869 643 522

25. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	21 116 429	24 222 075	21 116 429	24 222 075
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BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
26. Licences and permits (non-exchange)				
Dog licences	885 921	821 326	885 921	821 326
Agency fees	11 242 032	11 590 099	11 242 032	11 590 099
	12 127 953	12 411 425	12 127 953	12 411 425
27. Interest (non-exchange)				
Interest - Receivables	55 177 577	40 197 816	55 177 577	40 197 816
28. Other revenue - (exchange)				
Admission fees	1 577 509	422 762	1 577 509	422 762
Cemetery fees	8 413 955	10 760 745	8 413 955	10 760 745
Commission	28 805 081	27 304 131	28 805 081	27 304 131
Coupons and clip tickets	193 080	95 636	193 080	95 636
Grazing fees	23 638	50 062	23 638	50 062
Insurance	2 391 845	10 939 008	2 391 845	10 939 008
Photocopies	-	10 708	-	10 708
Plan approval fees	9 835 956	9 046 324	9 835 956	9 046 324
Private works	3 272 824	3 036 827	3 272 824	3 036 827
Tender receipts	829 819	422 889	829 819	422 628
Sale of scrap waste	2 639 646	2 107 841	2 639 646	2 107 841
Sale of plants and animals	11 156	612	11 156	612
Street frontage and administration fees	119 279	329 728	119 279	329 728
Sundry income	3 769 419	11 495 883	3 625 932	10 948 046
Town planning and sub-division fees	4 089 478	4 482 271	4 089 478	4 482 271
Vehicle registrations	23 987 364	25 154 341	23 987 364	25 154 341
	89 960 049	105 659 768	89 816 562	105 111 670
29. Interest received				
Interest revenue				
Bank	14 705 167	11 822 936	13 983 385	11 334 800
Call accounts with financial institutions	18 380 400	29 466 407	18 380 400	29 466 407
Interest charged on trade and other receivables	121 383 153	78 364 484	121 383 153	78 364 484
	154 468 720	119 653 827	153 746 938	119 165 691

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
30. Property rates				
Rates received				
Agricultural	10 353 122	9 172 062	10 353 122	9 172 062
Commercial	700 055 356	717 060 433	700 055 356	717 060 433
Educational	-	20 228 876	-	20 228 876
Industrial	146 882 220	136 204 629	146 882 220	136 204 629
Mining	235 713	-	235 713	-
Public Benefit Organisation	973 244	-	973 244	-
Public Service Infrastructure	716 411	695 288	716 411	695 288
Public Service Purpose	108 818 541	-	108 818 541	-
Residential	739 978 131	700 299 379	739 978 131	700 299 379
Vacant land	84 576 378	58 463 443	84 576 378	58 463 443
Less: Income forgone	(58 674 957)	(50 603 680)	(58 674 957)	(50 603 680)
	1 733 914 159	1 591 520 430	1 733 914 159	1 591 520 430

Valuations

Agricultural	3 108 747 000	3 134 302 000
Commercial	22 740 583 500	25 263 421 350
Educational	-	2 475 707 000
Industrial	4 384 071 000	4 384 746 000
Mining	11 460 000	-
Public Benefit Organisation	247 675 000	-
Public Service Infrastructure	268 288 500	270 114 500
Public Service Purpose	5 420 923 900	-
Residential	63 709 809 400	63 114 634 400
Vacant land	3 110 341 620	2 974 791 350
	103 001 899 920	101 617 716 600

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.

The MPRA was amended in 2014 and the amended Act came into effect in July 2015. Section 8(2) of the Act was amended and prescribed categories of rateable property which must be included in the municipality's valuation roll, provided such category exist within the municipal jurisdiction. In term of Section 93(B) of the MPRA, the provisions of Section 8 as amended must be implemented by a entity within seven years of date of commencement of the amended Act. The 2021/2022 financial year is the seventh year since the commencement of the amended Act.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

30. Property rates (continued)

In compliance with Section 93(B) of the MPRA, BCMM included prescribed rating categories which were not on BCMM's rates policy in the previous financial years. The affected properties were part of the municipality's valuation roll and were mainly part of the Business and Commercial, plus the Educational property categories. The affected properties were removed from the previous categories to the new rating categories based on the use of the property and the definition of each new rating category. The new rating categories created in compliance with Section 93(B) are as follows:

- Public Service Purpose
- Public benefit Organisations
- Mining properties

Tariffs levied: cents in the rand

Agricultural	0.003404	0.003152
Business	0.034038	0.031517
Educational	-	0.008825
Industrial	0.034038	0.031517
Mining	0.034038	-
Public Benefit Organisation	0.003404	-
Public Service Infrastructure	0.003404	0.003152
Public Service Purpose	0.021785	-
Residential	0.013615	0.012607
Vacant land	0.040846	0.037820
	-	-

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	15.0 %	15.0 %
Water supply	22.5 %	22.5 %
Refuse removal service	7.5 %	7.5 %
Electricity supply	15.0 %	15.0 %
Sewerage service	15.0 %	15.0 %
	75.0 %	75.0 %

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

30. Property rates (continued)

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.

31. Grants and subsidies paid

Other subsidies

Buffalo City Metropolitan Development Agency	-	-	56 618 351	42 708 932
Disaster management fund	295 310	642 684	295 310	642 684
Mayoral Social Responsibility	244 602	638 774	244 602	638 774
Other Organisations	3 707 293	2 546 482	3 707 293	2 546 482
Rural development	2 596 765	1 053 030	2 596 765	1 053 030
Social relief	47 421 911	38 818 270	47 421 911	38 818 270
Sponsored Events	16 193 542	18 300 083	16 193 542	18 300 083
	70 459 423	61 999 323	127 077 774	104 708 255

32. Government grants & subsidies

Operating grants

Government grants - operating projects	81 583 051	126 796 418	81 583 051	126 796 418
Other Government grants and subsidies	956 885 277	1 079 257 076	971 288 454	1 075 985 462
LG SETA Grant - BCMDA	38 094	41 662	-	-
Neighbourhood Development Programme Grant - BCMDA	4 403 242	-	-	-
Public Employment Programme - BCMDA	358 678	-	-	-
	1 043 268 342	1 206 095 156	1 052 871 505	1 202 781 880

Capital grants

Government grant (capital: PPE)	686 434 145	1 065 031 713	686 434 145	1 065 031 713
	1 729 702 487	2 271 126 869	1 739 305 650	2 267 813 593

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
33. Other revenue - (non-exchange)				
Fire levy	82 373 086	76 003 320	82 373 086	76 003 320
Less: Income forgone - Fire levy	(179 367)	-	(179 367)	-
	82 193 719	76 003 320	82 193 719	76 003 320

34. Employee related costs

Basic emoluments	1 531 938 101	1 495 250 046	1 520 145 380	1 480 028 474
Bonus	558 968	544 024	-	-
Car allowance	40 469 986	37 015 098	40 359 986	36 895 098
Employee benefit obligation net cost	67 661 000	102 398 000	67 661 000	102 398 000
Essential user cost	28 533 503	25 069 833	28 533 503	25 069 833
Group life	9 412 790	8 529 941	9 412 790	8 529 941
Housing benefits and allowances	10 987 508	10 530 911	10 939 508	10 482 911
Leave pay contributions (Leave pay provision charge)	39 596 025	59 031 529	38 923 232	58 427 141
Long-service awards	34 958 905	31 421 026	34 958 905	31 421 026
Medical aid contributions	113 458 897	110 987 337	113 458 897	110 987 337
Other allowances	70 464 439	74 155 195	70 464 439	74 155 195
Overtime payments	153 631 304	156 216 072	153 631 304	156 216 072
Pension fund contributions	288 549 362	284 988 652	287 491 078	283 956 652
SDL	204 624	187 352	-	-
UIF	11 741 849	10 362 082	11 691 714	10 275 074
Workmen's Compensation Fund	116 944	118 632	-	-
13th Cheques	122 779 097	121 699 793	122 625 068	121 699 793
	2 525 063 302	2 528 505 523	2 510 296 804	2 510 542 547

Remuneration of City Manager

Annual Remuneration	1 289 871	1 407 132	1 289 871	1 407 132
Travel Allowance	286 000	312 000	286 000	312 000
Allowance	291 999	317 837	291 999	317 837
UIF	1 948	1 813	1 948	1 813
Medical AID	28 442	32 047	28 442	32 047
Pension Contributions	251 525	274 391	251 525	274 391
	2 149 785	2 345 220	2 149 785	2 345 220

The position is vacant.

The position became vacant 01 June 2022. Acting allowance to the value of R23 525 was paid for the 2021/22 financial year.

Remuneration of Chief Financial Officer

Annual Remuneration	1 125 706	1 125 706	1 125 706	1 125 706
Travel Allowance	343 348	343 348	343 348	343 348
Allowance	134 393	136 048	134 393	136 048
UIF	2 125	1 218	2 125	1 218
Medical AID	57 277	57 277	57 277	57 277
Pension Contributions	202 627	202 627	202 627	202 627
Group Life	10 700	9 952	10 700	9 952
	1 876 176	1 876 176	1 876 176	1 876 176

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *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	255 166	257 682	255 166	257 682
UIF	2 125	1 813	2 125	1 813
Medical AID	29 477	28 350	29 477	28 350
Pension Contributions	201 765	201 765	201 765	201 765
Group Life	15 978	14 900	15 978	14 900
	1 868 192	1 868 191	1 868 192	1 868 191
Remuneration of HOD: Human Settlements				
Annual Remuneration	1 125 706	1 125 706	1 125 706	1 125 706
Travel Allowance	344 179	344 179	344 179	344 179
Allowance	121 601	123 496	121 601	123 496
UIF	2 125	1 813	2 125	1 813
Medical AID	57 277	57 277	57 277	57 277
Pension Contributions	202 627	202 627	202 627	202 627
Group Life	22 660	21 078	22 660	21 078
	1 876 175	1 876 176	1 876 175	1 876 176
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	242 217	241 348	242 217	241 348
UIF	2 125	1 813	2 125	1 813
Medical AID	44 356	45 537	44 356	45 537
Pension Contributions	218 578	218 578	218 578	218 578
	1 868 191	1 868 191	1 868 191	1 868 191
Remuneration of HOD: Health, Public Safety & Emergency Services				
Annual Remuneration	1 125 706	1 125 706	1 125 706	1 125 706
Allowance	528 832	529 145	528 832	529 145
UIF	2 125	1 813	2 125	1 813
Pension Contributions	219 513	219 513	219 513	219 513
	1 876 176	1 876 177	1 876 176	1 876 177
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	312 809	315 442	312 809	315 442
UIF	2 125	1 813	2 125	1 813
Medical AID	29 786	28 555	29 786	28 555
Pension Contributions	218 578	218 578	218 578	218 578
Group Life	15 978	14 888	15 978	14 888
	1 868 191	1 868 191	1 868 191	1 868 191

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *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	294 133	296 404	294 133	296 404
UIF	2 125	1 813	2 125	1 813
Medical AID	29 786	28 555	29 786	28 555
Pension Contributions	218 578	218 578	218 578	218 578
Group Life	10 654	9 926	10 654	9 926
	1 868 191	1 868 191	1 868 191	1 868 191

Remuneration of HOD: Solid Waste and Environmental Health

Annual Remuneration	1 125 706	469 044	1 125 706	469 044
Travel Allowance	264 000	110 000	264 000	110 000
Allowance	243 194	101 806	243 194	101 806
UIF	2 125	772	2 125	772
Medical AID	38 524	15 690	38 524	15 690
Pension Contributions	202 627	84 428	202 627	84 428
	1 876 176	781 740	1 876 176	781 740

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

Remuneration of HOD: Economic Development & Agencies

Annual Remuneration	1 125 706	1 125 706	1 125 706	1 125 706
Travel Allowance	343 348	343 348	343 348	343 348
Allowance	214 005	383 551	214 005	383 551
UIF	2 125	1 813	2 125	1 813
Medical AID	22 136	21 758	22 136	21 758
Pension Contributions	168 856	-	168 856	-
	1 876 176	1 876 176	1 876 176	1 876 176

Remuneration of HOD: Sport Recreation & Community Development

This is a new directorate. It was vacant for the 2021/22 financial year. Acting allowance to the value of R198 984 was paid in the 2021/22 financial year in respect of the vacant position.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
34. Employee related costs (continued)				
BCMDA - Remuneration of Executive Management				
Remuneration of Chief Executive Officer - Appointed 01 October 2017				
Annual Remuneration	2 389 191	2 297 299	-	-
Performance Bonuses	131 274	126 225	-	-
Contributions to UIF, Medical and Pension Funds	238 419	229 018	-	-
	2 758 884	2 652 542	-	-
Remuneration of Chief Financial Officer- Appointed 20 April 2016				
Annual Remuneration	1 389 479	1 543 201	-	-
Performance Bonuses	86 752	83 416	-	-
Contributions to UIF, Medical and Pension Funds	145 092	126 937	-	-
	1 621 323	1 753 554	-	-
Corporate and human resources (corporate services)- Appointed 01 June 2016				
Annual Remuneration	1 387 496	1 311 740	-	-
Performance Bonuses	74 972	71 484	-	-
Contributions to UIF, Medical and Pension Funds	114 070	119 762	-	-
	1 576 538	1 502 986	-	-
Development Facilitation				
Annual Remuneration	1 413 269	1 358 913	-	-
Performance Bonuses	77 652	74 666	-	-
Contributions to UIF, Medical and Pension Funds	141 899	136 211	-	-
	1 632 820	1 569 790	-	-
Company Secretary & Legal Service Manager				
Annual Remuneration	1 034 680	996 792	-	-
Performance Bonuses	70 857	54 769	-	-
Contributions to UIF, Medical and Pension Funds	104 160	100 397	-	-
	1 209 697	1 151 958	-	-
BCMDA - Remuneration of Executive Management	8 799 262	8 630 830	-	-
Economic entity employee related cost	2 525 063 302	2 528 505 523	2 510 296 804	2 510 542 547
Total employee related costs	2 533 862 564	2 537 136 353	2 510 296 804	2 510 542 547

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

35. Remuneration of councillors

Executive Mayor	816 205	842 556	816 205	842 556
Deputy Executive Mayor	646 442	511 548	646 442	511 548
Mayoral Committee Members	6 101 685	6 210 624	6 101 685	6 210 624
Speaker	646 442	670 099	646 442	670 099
Chief Whip	608 938	640 987	608 938	640 987
Councillors salaries	27 719 592	27 046 975	27 719 592	27 046 975
Councillors pension contribution	3 523 615	4 257 309	3 523 615	4 257 309
Councillors housing subsidy	10 333 065	2 596 050	10 333 065	2 596 050
Councillors medical aid	1 666 179	2 490 175	1 666 179	2 490 175
Cellphone Allowance	4 110 473	4 047 651	4 110 473	4 047 651
Travel allowance	8 510 033	14 499 434	8 510 033	14 499 434
Board fees	2 657 361	1 936 260	-	-
	67 340 030	65 749 668	64 682 669	63 813 408

2022

	Members fees	Re-imbursive costs	Total
T. Bonakele	306 500	-	306 500
C. Sangqu	308 500	3 319	311 819
T. Godongwana	331 500	-	331 500
B. Canning	212 500	2 037	214 537
L. Njezula	351 500	-	351 500
T. Buswana	445 500	12 874	458 374
S. Booi	380 500	131	380 631
L. Kumbaca	302 500	-	302 500
	2 639 000	18 361	2 657 361

2021

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

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

35. Remuneration of councillors (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 R26 502 110 (2021: R27 907 313).

The House Keeper appointed to maintain the Mayoral house cost to Council amounts to R329 117 (2021: R304 792).

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 R399 297 (2021: R527 267). An amount of R1 103 034 (2021: R853 106) was incurred for hired vehicles.

The Executive Mayor, Deputy Executive Mayor and Speaker each have full-time bodyguards. Cost of 17 bodyguards amounts to R12 111 614 (2021: R12 649 603).

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

36. Depreciation and amortisation

Property, plant and equipment	4	1 567 376 204	1 386 275 742	1 566 782 272	1 385 854 469
Intangible assets	5	2 417 901	2 587 771	1 900 465	1 827 644
		1 569 794 105	1 388 863 513	1 568 682 737	1 387 682 113

37. Finance costs

Borrowings		20 684 493	25 756 790	20 684 493	25 756 790
Bank		1	48	-	-
		20 684 494	25 756 838	20 684 493	25 756 790

Refer to note 17 Borrowings relating to finance cost.

38. Debt impairment

Contributions to debt impairment - Exchange		1 059 121 157	740 371 179	1 059 121 157	740 371 179
Contributions to debt impairment - Non-exchange		326 300 942	171 369 729	326 300 942	171 369 729
		1 385 422 099	911 740 908	1 385 422 099	911 740 908

39. Bulk purchases

Electricity - Eskom		1 922 254 903	1 631 905 169	1 922 254 903	1 631 905 169
Water		247 054 714	234 111 957	247 054 714	234 111 957
		2 169 309 617	1 866 017 126	2 169 309 617	1 866 017 126

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	2022	2021 *Restated	2022	2021 *Restated

39. Bulk purchases (continued)

Electricity losses

Description	2022 Amount (R)	%	2021 Amount (R)	%
Technical	192 494 725	10.00	93 681 946	5.80
Non-technical	220 931 932	10.47	274 535 822	17.00
	413 426 657	20.47	368 217 768	22.80

Total losses amounted to 291 919 493 kWh (2021: 322 625 619 kWh) of which 142 583 689 kWh (2021: 82 082 394 kWh) are technical losses and 149 335 804 kWh (2021: 240 543 225 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, however, a recent cost of supply study calculated the technical losses occurring on the BCMM electricity network at 10% and BCMM are now to question NERSA on their National applied average of 5-6% for technical losses. BCMM has now proven that the technical losses occurring on our network is higher than the applied National average granted by NERSA and the electricity loss split calculation was amended in 2022 to reflect the calculated 10% technical losses.

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 above the applied NERSA standard of 6%. The concluded cost of supply study undertaken in 2022 calculated technical losses on the BCMM electricity network at 10%.

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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39. Bulk purchases (continued)

Water losses

Description	2022 Amount (R)	%	2021 Amount (R)	%
Technical	80 755 569	21.74	66 722 408	19.28
Non-technical	58 516 397	15.76	58 773 101	16.99
	139 271 966	37.50	125 495 509	36.27

Total losses amounted to 22 824 585 KI (2021: 21 818 438 KI) of which 13 234 625 KI (2021: 11 600 246 KI) are technical losses and 9 589 960 KI (2021: 10 218 192 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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	2022	2021 *Restated	2022	2021 *Restated
40. Contracted services				
Outsourced Services				
Alien Vegetation Control	397 904	2 936 410	397 904	2 936 410
Animal Care	1 440 000	1 440 000	1 440 000	1 440 000
Burial Services	416 090	431 770	416 090	431 770
Catering Services	3 701 209	2 986 552	3 701 209	2 986 552
Cleaning Services	548 611	140 320	548 611	140 320
Clearing and Grass Cutting Services	5 254 520	3 269 275	5 254 520	3 269 275
Connection/Dis-connection	12 016 321	7 159 304	12 016 321	7 159 304
Hygiene Services	41 631	46 327	41 631	46 327
Internal Auditors	360 928	117 359	360 928	117 359
Litter Picking and Street Cleaning	15 639 948	21 855 796	15 639 948	21 855 796
Medical Services [Medical Health Services & Support]	36 176	29 847	36 176	29 847
Meter Management	1 450 188	1 402 527	1 450 188	1 402 527
Personnel and Labour	35 256 202	30 026 079	35 256 202	30 026 079
Professional Staff	3 425 531	7 445 330	3 425 531	7 445 330
Refuse Removal	5 150 503	4 817 232	5 150 503	4 817 232
Security Services	4 224 356	2 772 261	1 561 919	162 000
Traffic Fines Management	4 453 962	5 037 953	4 453 962	5 037 953
Consultants and Professional Services				
Business and Advisory	35 068 226	27 461 798	27 079 771	21 691 760
Infrastructure and Planning	10 792 644	5 453 705	2 830 718	527 383
Laboratory Services	343 733	351 939	343 733	351 939
Legal Cost	32 358 593	25 365 299	32 358 593	25 277 299
Contractors				
Artists and Performers	650 435	90 000	650 435	90 000
Building	2 290 630	2 158 148	2 290 630	2 158 148
Electrical	8 388 271	9 688 029	8 388 271	9 688 029
Event Promoters	4 615 439	2 557 481	4 615 439	2 557 481
Inspection Fees	22	168 489	22	168 489
Management of Informal Settlements	4 055	8 386	4 055	8 386
Medical Services	30 730	5 322	30 730	5 322
Pest Control and Fumigation	473 204	641 436	473 204	641 436
Plants, Flowers and Other Decorations	121 724	430 210	121 724	430 210
Transportation	-	732 635	-	732 635
Safeguard and Security	3 875 279	13 491 155	3 875 279	13 491 155
Sewerage Services	31 950 571	74 627 788	31 950 571	74 627 788
Stage and Sound Crew	641 604	60 222	641 604	60 222
	225 419 240	255 206 384	206 806 422	241 811 763

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
41. General expenses				
Advertising	14 750 591	14 166 750	14 535 206	14 079 613
Auditors remuneration	23 294 389	21 686 966	22 321 276	20 882 918
Bank charges	8 577 341	4 864 320	8 561 888	4 852 655
Cleaning	192 534	73 082	192 534	73 082
Commission paid	39 479 403	40 534 479	39 479 403	40 534 479
Conferences and seminars	3 255 703	1 576 634	3 255 703	1 576 634
Consumables	41 315 797	35 349 775	39 591 402	34 834 878
Entertainment	1 824 293	1 518 986	1 456 481	1 378 771
Fines and penalties	-	47 286	-	-
Fuel and oil	69 683 106	53 504 809	69 681 654	53 504 809
Hire	117 862 790	156 133 595	117 645 353	155 973 615
Insurance	33 853 657	33 605 600	33 699 492	33 579 537
IT expenses	46 852 916	44 220 884	45 770 774	43 227 030
Lease rentals on operating lease	58 681 736	37 028 329	57 611 062	35 947 777
Levies	20 633 219	16 469 623	20 633 219	16 469 623
License fees	4 014 398	2 372 965	4 014 398	2 372 965
Marketing	2 806 094	1 580 645	2 705 699	1 565 012
Magazines, books and periodicals	564 310	260 749	564 310	260 749
Medical expenses	-	203 355	-	-
Motor vehicle expenses	10 710 763	8 896 897	10 710 763	8 896 897
Other expenses	69 772 692	52 758 328	76 430 226	59 198 178
Placement fees	19 154	13 000	-	-
Postage and courier	12 742 113	9 852 576	12 735 613	9 820 951
Printing and stationery	6 577 643	4 565 078	6 565 982	4 525 330
Promotions	1 892 415	512 844	1 515 232	266 597
Project maintenance costs	-	412 500	-	-
Remuneration to WARD Committees	3 252 417	6 954 766	3 200 219	6 913 208
Special events	486 642	502 433	486 642	502 433
Staff welfare	95 342	91 808	-	-
Subscriptions and membership fees	17 197 432	16 225 628	17 179 725	16 209 207
Telephone and fax	24 944 687	24 250 739	24 660 992	23 962 952
Title deed search fees	437 948	114 606	437 948	114 606
Training	24 460 993	13 777 969	24 165 091	13 356 408
Travel - local	10 432 798	6 984 316	9 709 926	6 512 856
Travel - overseas	173 219	226 830	173 219	226 830
Utilities	76 409	44 751	-	-
Uniforms	21 888 115	24 978 142	21 764 540	24 558 017
	692 803 059	636 362 043	691 455 972	636 178 617
42. Repairs and maintenance				
Infrastructure	182 189 499	180 719 487	182 189 499	180 719 487
Community assets	12 570 712	8 937 510	12 570 712	8 937 510
Heritage assets	8 000	9 200	8 000	9 200
Other assets	27 965 498	29 549 150	27 956 628	28 199 523
Computer Equipment	425 155	603 662	425 155	603 662
Furniture and Office Equipment	4 160 546	6 830 509	4 160 546	6 830 509
Machinery and Equipment	149 864 521	134 003 644	149 864 521	134 003 644
Transport Assets	24 214 791	26 723 860	24 214 791	26 723 860
	401 398 722	387 377 022	401 389 852	386 027 395
43. Fair value adjustments				
Investment property (Fair value model)	15 348 500	29 523 248	15 348 500	29 523 248

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44. (Gain)/Loss on disposal of assets					
(Gain)/Loss on disposal of property, plant and equipment	4	(528 642)	16 625 064	(470 508)	16 622 245
45. Auditors' remuneration					
Fees		23 294 389	21 686 966	22 321 276	20 882 918
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		506 858	241 491	-	-
Unused tax losses not recognised as deferred tax assets		42 433 472	42 206 047	-	-
		42 940 330	42 447 538	-	-
47. Cash generated from operations					
(Deficit) surplus		(232 681 737)	584 773 184	(233 331 481)	582 369 486
Adjustments for:					
Depreciation and amortisation		1 569 794 105	1 388 863 513	1 568 682 737	1 387 682 113
(Gain)/Loss on sale of assets and liabilities		(528 642)	16 625 064	(470 508)	16 622 245
Income from equity accounted investments		(29 868 763)	26 627 528	(29 868 763)	26 627 528
Fair value adjustments		(15 348 500)	(29 523 248)	(15 348 500)	(29 523 248)
Impairment deficit		3 005	-	-	-
Debt impairment		1 385 422 099	911 740 908	1 385 422 099	911 740 908
Movements in operating lease liability		(31 036)	47 859	-	-
Movements in retirement benefit assets and liabilities		67 661 000	102 398 000	67 661 000	102 398 000
Movements in provisions		59 041 817	44 559 870	51 951 584	37 940 017
Inventory losses or write-downs		488 477	702 379	502 895	689 642
Non-cash adjustments		-	11 860 676	-	11 860 676
Changes in working capital:					
Inventories		(7 603 951)	(3 327 761)	(7 603 951)	(3 327 759)
Receivables from exchange transactions		(1 166 290 571)	1 076 090 780	(1 161 309 000)	1 075 503 128
Receivables from non-exchange transactions		(379 067 162)	(280 109 267)	(379 067 162)	(280 109 267)
Prepayments		(6 832)	(97 604)	-	-
Trade payables from exchange transactions		(208 810 851)	28 664 742	(199 793 698)	32 225 836
Unspent conditional grants and receipts		16 481 431	(264 502 657)	9 606 898	(262 914 560)
Consumer deposits		5 567 318	4 082 656	5 567 318	4 082 656
		1 064 221 207	1 467 295 062	1 062 601 468	1 462 861 145

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48. Operating leases - as lessee (expense)

Minimum lease payments due - Buildings

- within one year	4 639 361	7 396 885	3 949 167	6 223 835
- in second to fifth year inclusive	1 944 539	6 577 985	1 944 539	5 893 706
	6 583 900	13 974 870	5 893 706	12 117 541

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 agreements between BCMM and third parties

Minimum lease payments due - Printing Machines

- within one year	1 951 691	2 632 426	1 940 066	2 579 727
- in second to fifth year inclusive	825 947	2 705 669	825 947	2 694 044
	2 777 638	5 338 095	2 766 013	5 273 771

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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	2022	2021 *Restated	2022	2021 *Restated
49. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Community (including housing)	97 736 392	122 852 724	97 736 392	122 852 724
• Infrastructure	266 565 677	265 390 363	266 565 677	265 390 363
• Other	11 155 398	17 638 216	11 155 398	17 638 216
• Annual contracts	11 284 702	24 749 900	11 284 702	24 749 900
	386 742 169	430 631 203	386 742 169	430 631 203
Total capital commitments				
Already contracted for but not provided for	386 742 169	430 631 203	386 742 169	430 631 203
Authorised operational expenditure				
Already contracted for but not provided for				
• Proposed East London Beachfront Precinct Project - Court Crescent	8 425 196	48 031 805	-	-
• Proposed Upgrade of Water World	15 804 941	43 664 254	-	-
• Other	26 419 617	26 423 293	-	-
	50 649 754	118 119 352	-	-
Total operational commitments				
Already contracted for but not provided for	50 649 754	118 119 352	-	-

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.

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50. Contingencies				
Litigation issues These are instances whereby legal claims have been instituted against Council by various third parties. Legal advice is sought and Council will defend claims where so advised.	96 055 823	1 224 800 486	96 055 823	1 224 800 486
Labour issues These are instances whereby labour disputes have resulted in possible claims by employees.	29 978 749	18 729 102	29 978 749	18 729 102
Insurance issues 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.	58 714 260	44 406 592	58 714 260	44 406 592
	184 748 832	1 287 936 180	184 748 832	1 287 936 180

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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 R42 146 535 to BCMDA during the current financial year (2021: R40 139 554) (VAT exclusive).

BCMDA has trade receivables of R38 969 561 (2021: R9 257 544) (VAT inclusive) and trade payables of R0 (2021: R0) which relates to transactions with BCMM.

BCMM reimbursed BCMDA with an amount of R83 219 181 (2021: R80 498 124) (VAT exclusive) for the implementation of the BCMDA East London Beachfront and Water World Project.

Agency fees amounting to R6 657 534 (2021: R6 439 850) (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 R14 471 816 (2021: R2 569 375) (VAT exclusive) was transferred to BCMDA.

BCMM paid an amount of R3 231 656 (2021: R4 012 433) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2021/22 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	3
Executive management	Agency Management	6
Councillors	Shareholder Representative	1

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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			10 941 049 894	-	10 941 049 894
Various	4	a	-	(45 871 906)	(45 871 906)
			- 10 941 049 894	(45 871 906)	10 895 177 988

Revaluation reserve

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			9 460 564 593	-	9 460 564 593
Property, plant and equipment - Various	4	a	-	40 512 741	40 512 741
			- 9 460 564 593	40 512 741	9 501 077 334

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	2022	2021 *Restated	2022	2021 *Restated		
52. Prior-year adjustments (continued)						
Economic entity - 2021						
Detail of Statement of Financial Position	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Inventories - General stores	10	b	14 083 974	67 987	-	14 151 961
Property, plant and equipment - Land	4	a	81 658 476	2 820 499	-	84 478 975
Property, plant and equipment - Community buildings	4	a	1 018 453 400	28 566 798	-	1 047 020 198
Property, plant and equipment - Electricity infrastructure	4	a	3 903 094 517	19 815 222	-	3 922 909 739
Property, plant and equipment - Furniture and fixtures	4	a	123 694 965	5 123 521	-	128 818 486
Property, plant and equipment - Motor vehicles	4	a	324 087 560	(651 793)	-	323 435 767
Property, plant and equipment - Other properties	4	a	1 106 069 519	289 033 349	-	1 395 102 868
Property, plant and equipment - Plant and equipment	4	a	45 691 895	14 991 510	-	60 683 405
Property, plant and equipment - Recreational facilities	4	a	253 864 117	8 081 736	-	261 945 853
Property, plant and equipment - Roads	4	a	5 367 197 181	133 901 874	-	5 501 099 055
Property, plant and equipment - Wastewater network	4	a	1 910 251 001	90 032 978	-	2 000 283 979
Property, plant and equipment - Water network	4	a	2 816 346 524	46 369 085	-	2 862 715 609
Property, plant and equipment - WIP	4	a	4 565 464 189	(630 977 461)	-	3 934 486 728
Intangible assets - Software	5	a	12 774 516	235 195	-	13 009 711
Receivables from exchange transactions - Electricity Gross	13	f,g	672 084 070	(7 276 646)	-	664 807 424
Receivables from exchange transactions - Electricity Impairment	13	f,k	(297 661 304)	2 034 414	-	(295 626 890)
Receivables from exchange transactions - Refuse Gross	13	f	524 365 827	(957 218)	-	523 408 609
Receivables from exchange transactions - Refuse Impairment	13	f,k	(224 098 153)	1 531 635	-	(222 566 518)
Receivables from exchange transactions - Wastewater Gross	13	f	433 741 576	8 797 689	-	442 539 265
Receivables from exchange transactions - Wastewater impairment	13	f,k	(203 868 225)	1 393 370	-	(202 474 855)
Receivables from exchange transactions - Water Gross	13	f,g	1 498 986 484	(77 643 875)	-	1 421 342 609
Receivables from exchange transactions - Water Impairment	13	f,k	(1 163 384 593)	4 465 238	-	(1 158 919 355)
Receivables from exchange transactions - Rental debtors	13		-	76 804 503	-	76 804 503
Receivables from exchange transactions - Allowance for impairment - Rental debtors	13		-	(63 285 970)	-	(63 285 970)
Receivables from exchange transactions - VAT Accrual	13		-	(791 032)	209 203 321	208 412 289
Receivables from exchange transactions - VAT Control	13		-	-	40 756 217	40 756 217
Receivables from non-exchange transactions - Allowance for impairment	12	f	(598 033 652)	(152 138 521)	-	(750 172 173)
Receivables from non-exchange transactions - Other receivables (billing)	12	f	297 198 367	(76 874 180)	-	220 324 187

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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
52. Prior-year adjustments (continued)						
Receivables from non-exchange transactions - Property rates Gross	12	e	1 019 684 711	(665 225)	-	1 019 019 486
Trade payables from exchange transactions - Other creditors	20	j	(110 119 425)	(37 886 646)	-	(148 006 071)
Trade payables from exchange transactions - Retention monies	20	d	(91 281 678)	7 619 605	-	(83 662 073)
Trade payables from exchange transactions - Trade payables	20	i	(712 862 466)	4 729 460	-	(708 133 006)
Trade payables from exchange transactions - VAT Accrual	20		-	177 492	(259 901 882)	(259 724 390)
VAT Receivable/(Payable)	21	c	(15 021 047)	5 078 703	9 942 344	-
Unspent conditional grants and receipts	16		(39 385 756)	(4 857 509)	-	(44 243 265)
Revaluation reserve	15	a	(11 562 642 682)	(40 512 741)	-	(11 603 155 423)
Accumulated surplus			(11 603 250 281)	123 299 106	-	(11 479 951 175)

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
52. Prior-year adjustments (continued)						
Summary of Statement of Financial Position	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Inventories	10	b	37 026 311	67 987	-	37 094 298
Prepayments	11		97 604	-	-	97 604
Receivables from non-exchange transactions	12	e	785 494 088	(10 130 077)	-	775 364 011
VAT receivable			-	-	-	-
Receivables from exchange transactions	13	f,k	1 581 450 804	(54 927 893)	249 959 538	1 776 482 449
Cash and cash equivalents	14		1 145 407 278	-	-	1 145 407 278
Investment property	3		436 049 000	-	-	436 049 000
Property, plant and equipment	4	a	21 516 486 490	7 107 318	-	21 523 593 808
Intangible assets	5	a	12 774 516	235 195	-	13 009 711
Heritage assets	6		50 513 440	-	-	50 513 440
Investments in associates	7		676 448 508	-	-	676 448 508
Borrowings	17		(45 190 555)	-	-	(45 190 555)
Operating lease liability	8		(99 404)	-	-	(99 404)
Trade payables from exchange transactions	20	d,j	(1 270 153 888)	(25 360 089)	(259 901 882)	(1 555 415 859)
VAT Payable	21	c	(15 021 047)	5 078 703	9 942 344	-
Consumer deposits	22		(74 226 105)	-	-	(74 226 105)
Employee benefit obligation	9		(25 599 000)	-	-	(25 599 000)
Unspent conditional grants and receipts	16	m	(262 146 402)	(4 857 509)	-	(267 003 911)
Provisions	18		(380 825 457)	-	-	(380 825 457)
Borrowings	17		(187 994 372)	-	-	(187 994 372)
Employee benefit obligation	9		(761 616 000)	-	-	(761 616 000)
Provisions	18		(52 982 846)	-	-	(52 982 846)
Revaluation reserve	15	a	(11 562 642 682)	(40 512 741)	-	(11 603 155 423)
Accumulated surplus			(11 603 250 281)	123 299 106	-	(11 479 951 175)
			-	-	-	-

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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *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 - Outsourced services - Personnel and labour	40	e	29 915 656	-	110 423	30 026 079
Contracted services - Outsourced services - Beaches	40	e	110 423	-	(110 423)	-
Debt impairment - Contribution to debt impairment - Exchange	38	k	755 579 974	(15 208 795)	-	740 371 179
Depreciation and amortisation - Property, plant and equipment	36	a	1 399 380 859	(13 105 117)	-	1 386 275 742
Employee related cost - Basic emoluments	34	j	1 463 172 316	32 077 730	-	1 495 250 046
Employee related cost - Pension fund contributions	34	j	279 179 734	5 808 918	-	284 988 652
Employee related cost - Other allowances	34		74 281 195	-	(126 000)	74 155 195
Remuneration of councillors - Mayoral Committee Members	35		7 473 795	-	(1 263 171)	6 210 624
Remuneration of councillors - Councillors	35		25 783 804	-	1 263 171	27 046 975
Repairs and maintenance	42	a	385 869 461	1 507 561	-	387 377 022
General expenses - Postage and courier	41	e	9 726 576	-	126 000	9 852 576
General expenses - Other expenses	41		52 893 053	-	(134 725)	52 758 328
General expenses - Advertising	41		14 166 826	-	(76)	14 166 750
General expenses - Travel local	41		6 880 482	-	103 834	6 984 316
General expenses - Lease rental on operating lease	41		37 008 018	-	20 311	37 028 329
General expenses - Motor vehicle expenses	41		8 896 351	-	546	8 896 897
General expenses - Telephone and fax	41		24 240 705	-	10 034	24 250 739
General expenses - Promotions	41		512 768	-	76	512 844
Property rates - Commercial	30	e	(715 134 823)	(1 925 610)	-	(717 060 433)
Property rates - Industrial	30	e	(136 347 716)	143 087	-	(136 204 629)
Property rates - Vacant land	30	e	(58 140 669)	(322 774)	-	(58 463 443)
Service charges - Sale of electricity	24	f	(1 904 160 197)	7 633 368	-	(1 896 526 829)
Service charges - Sale of water	24	f	(1 239 571 344)	69 078 858	-	(1 170 492 486)
Service charges - Sewerage and sanitation charges - Non Pans	24	f	(339 297 852)	2 778 638	-	(336 519 214)
Service charges - Sewerage and sanitation charges - Pans	24	f	(80 076 259)	(9 312 265)	-	(89 388 524)
Service charges - Refuse removal	24	f	(364 764 200)	3 357 406	-	(361 406 794)
Service charges - Less: Income forgone - Sale of water	24	f	36 013 407	(347 535)	-	35 665 872
Service charges - Less income forgone - Refuse	24	f	10 738 447	(2 823 786)	-	7 914 661
Service charges - Less: Income forgone - Sewerage and sanitation charges	24	f	2 663 602	(2 663 602)	-	-
Interest received - Interest charged on trade and other receivables	29	f	(79 222 714)	858 230	-	(78 364 484)
Other revenue - (non-exchange) - Fire levy	33	f	(76 338 917)	335 597	-	(76 003 320)
Other revenue - (non-exchange) - Fire levy - Less income forgone	33	f	357 273	(357 273)	-	-
Public contributions and donations - PPE		a	(10 035 999)	(4 942 942)	-	(14 978 941)
Government grants and subsidies - Government grant (capital: PPE)	32		(1 069 735 518)	4 703 805	-	(1 065 031 713)

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Figures in Rand		Economic entity		Controlling entity	
		2022	2021 *Restated	2022	2021 *Restated
52. Prior-year adjustments (continued)					
Government grants and subsidies - NDPG Grant - BCMDA	32 m	(153 704)	153 704	-	-
Surplus for the year		-	77 427 203	-	-

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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
52. Prior-year adjustments (continued)						
Summary of Statement of Financial Performance						
	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	24	f	(3 937 344 604)	67 701 082	-	(3 869 643 522)
Rental of facilities and equipment	25		(24 222 075)	-	-	(24 222 075)
Other revenue - (exchange)	28		(105 659 768)	-	-	(105 659 768)
Interest received	29	f	(120 512 057)	858 230	-	(119 653 827)
Property rates	30	e	(1 589 415 133)	(2 105 297)	-	(1 591 520 430)
Licences and Permits (non-exchange)	26		(12 411 425)	-	-	(12 411 425)
Interest (non-exchange)	27		(40 197 816)	-	-	(40 197 816)
Government grants & subsidies	32	m	(2 275 984 378)	4 857 509	-	(2 271 126 869)
Other revenue - (non-exchange)	33	f	(75 981 644)	(21 676)	-	(76 003 320)
Public contributions and donations - PPE		a	(10 035 999)	(4 942 942)	-	(14 978 941)
Fines			(16 659 092)	-	-	(16 659 092)
Fuel levy			(593 337 000)	-	-	(593 337 000)
Employee related cost	34	j	2 499 375 705	37 886 648	(126 000)	2 537 136 353
Remuneration of councillors	35		65 749 668	-	-	65 749 668
Depreciation and amortisation	36	a	1 401 968 630	(13 105 117)	-	1 388 863 513
Finance costs	37		25 756 838	-	-	25 756 838
Debt Impairment	38	k	926 949 703	(15 208 795)	-	911 740 908
Repairs and maintenance	42	a	385 869 461	1 507 561	-	387 377 022
Bulk purchases	39		1 866 017 126	-	-	1 866 017 126
Contracted services	40		255 206 384	-	-	255 206 384
Grants and subsidies paid	31		61 999 323	-	-	61 999 323
General expenses	41		636 236 043	-	126 000	636 362 043
Loss on disposal of assets			16 625 064	-	-	16 625 064
Fair value adjustments	43		(29 523 248)	-	-	(29 523 248)
Share of surplus of associate			26 627 528	-	-	26 627 528
Inventories losses/write-downs	10		702 379	-	-	702 379
(deficit) Surplus for the year			- (662 200 387)	77 427 203	-	(584 773 184)

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

52. Prior-year adjustments (continued)

Cash flow statement

Economic entity - 2021

	Note	Error reference	As previously reported	Correction of error	Restated
Cash flow from operating activities					
Sale of goods and services		I	4 903 452 151	44 783 375	4 948 235 526
Government grants & subsidies		I	2 275 984 378	(269 360 166)	2 006 624 212
Interest income		I	160 709 873	(858 230)	159 851 643
Employee costs & Councillors remuneration		I	(2 565 125 374)	69 036 773	(2 496 088 601)
Suppliers		I	(3 293 426 245)	167 855 365	(3 125 570 880)
Finance costs			(25 756 838)	-	(25 756 838)
			- 1 455 837 945	11 457 117	1 467 295 062
Cash flow from investing activities					
Purchase of property, plant and equipment		I	(1 666 127 558)	(12 519 663)	(1 678 647 221)
Purchase of intangible asset			(387 504)	-	(387 504)
Proceeds from sale of property, plant and equipment		I	36 769 293	1 062 546	37 831 839
			- (1 629 745 769)	(11 457 117)	(1 641 202 886)
Cash flow from financing activities					
Net movement on borrowings			(54 395 605)	-	(54 395 605)

Other disclosure items

	Note	Error reference	As previously reported	Correction of error	Restated
Irregular expenditure - Opening balance	58	n	2 518 729 268	365 078 738	2 883 808 006
Irregular expenditure - Additions	58	n	174 785 450	26 220 362	201 005 812
Operating leases - as lessee (expense) - Printing machines	48	o	2 919 096	2 354 675	5 273 771
			2 696 433 814	393 653 775	3 090 087 589

Explanation of errors

a) 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.

b) Inventory write downs were incorrectly captured in the 20/21 financial year. The write downs related to the prior period.

c) During the Financial year 2020/21 SARS conducted VAT Audit iro 2015/03 to 2019/02 tax periods. SARS raised an assessment including interest and penalties i.t.o. Section 31(1) of VAT ACT.

d) During the preparation of the final accounts by the Consultant, they inspected the site to verify all the works to identify discrepancies. In this instance the value of the project was reduced and the final amount was less to what was previously certified, the difference is now recovered from the remaining retention and the contractor will be paid the reduced retention.

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	2022	2021 *Restated	2022	2021 *Restated

52. Prior-year adjustments (continued)

- e) The reason for the adjustments is due to changes in property values and categories which were affected through a supplementary valuation. The effective date of these changes was before the year under audit which is 2021/22 financial year.
- 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) In 2020/21 when the prepayment sales were uploaded the full value was credited to the revenue account. The applicable VAT account was not credited.
- h) Prior period billing errors corrected.
- i) The reason for the adjustments is due to a duplicate order raised for Mvezo Plant & Civils . It was raised as a system generated accrual in June 2021.
- j) 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 2021/22 financial year.
- k) Due to the realignment of billed revenue to prior period, this affects the opening balance on Impairment for 2021/2022 and therefore the opening balance was adjusted.
- l) The adjustment on cash flow from operating activities and investing activities is a result of all other prior year errors listed in Statement of Financial Position, Statement of Financial Performance and Statement of Changes in Net Assets.
- m) Unspent conditional grants were understated, by the release of an amount of R153 000 into revenue, which was incurred by the grant however payment was made from the BCMDA's primary bank account. Subsequently a receivable and a corresponding income entry were recognised to account for the incorrect payment.
- n) Being adjustment to irregular expenditure amount disclosed to include VAT as recommended by MFMA Circular No 68, Municipal Finance Management Act No. 56 of 2003 as updated in October 2021
- o) The adjustment was due to a replacement of damaged printing machines in the 20/21 financial year which was erroneously omitted for disclosure.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

52. Prior-year adjustments (continued)

Change in accounting policy

The entity had a change in accounting policy due to the implementation of GRAP 108.

For the previous 3 years the entity followed the transitional provision granted per Directive 5 of the Reporting Framework. This transitional provision lapsed and the entity implemented GRAP 108 in the current financial year.

The following change in accounting policies occurred:

Effect of change

GRAP 108 Statutory receivable.

Items such as property rates and traffic fines were previously accounted for under GRAP 104 Financial Instruments. These are now accounted for using GRAP 108 - refer to note 12 receivables from non-exchange transactions.

VAT payable/receivable previously accounted for under GRAP1 and disclosed on the face of the Statement of Financial Position is now accounted for using GRAP 108. The entity is registered for VAT on the payment basis, therefore the netting off of VAT accruals for debtors and creditors is not allowed. Netting off the VAT payable or receivable to/from SARS is allowed, which is the VAT control account. Refer to note 12 receivables from non-exchange transactions, note 13 receivables from exchange transactions and note 20 trade and other payables from exchange transactions.

Below is a breakdown of the retrospective change in disclosure for VAT payable.

	As previously reported	Correction of error	Re-classification	Restated
VAT payable	21 (15 021 047)	5 078 703	9 942 344	-
VAT accrual - creditors	13 -	(791 032)	209 203 321	208 412 289
VAT accrual - debtors	20 -	177 492	(259 901 882)	(259 724 390)
VAT control	13 -	-	40 756 217	40 756 217
	(15 021 047)	4 465 163	-	(10 555 884)

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 economic entity'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 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.

Controlling entity

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

53. Risk management (continued)

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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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *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 entity'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	10.75 %	2 711 782 096	-	-	-	-
Cash in current banking institutions	4.18 %	117 609 355	-	-	-	-
Call Investments deposits	4.18 %	579 757 238	-	-	-	-
Trade and other payables - extended credit terms	4.25 %	869 152 975	-	-	-	-
Long term borrowings	8.77 %	49 140 563	30 246 178	28 813 896	25 085 847	54 707 887

Sensitivity Analysis of Market Risk

Effect of a 1% change in the interest rate	Current interest rate	Value at 30 June 2022	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables - normal credit terms	10.75 %	2 711 782 096	2 448 561 712	2 470 872 069	2 426 650 645
Cash in current banking institutions	4.18 %	117 609 355	112 890 531	113 984 643	111 817 223
Call Investments deposits	4.18 %	579 757 238	556 495 717	561 889 163	551 204 828
Trade and other payables - extended credit terms	4.25 %	869 152 975	833 719 880	841 794 649	825 798 551
Short term borrowings	8.77 %	49 140 563	45 178 416	45 597 627	44 766 842
Long term borrowings	8.77 %	138 853 808	127 658 185	128 842 728	126 495 225

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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	2022	2021 *Restated	2022	2021 *Restated

53. Risk management (continued)

Capital risk management

The entity's objectives when managing capital are to safeguard the entity'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

56. Unauthorised expenditure

Opening balance as previously reported	-	17 649 513	-	17 649 513
Opening balance as restated	-	17 649 513	-	17 649 513
Add: Expenditure identified - current	163 702 130	-	163 702 130	-
Less: Expenditure authorised in terms of section 32 of the MFMA	-	(17 649 513)	-	(17 649 513)
Closing balance	163 702 130	-	163 702 130	-

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

Non-cash	163 702 130	-	163 702 130	-
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Analysed as follows: non-cash

Debt impairment	163 702 130	-	163 702 130	-
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The 2022 unauthorised expenditure comprises the following:

Unauthorised expenditure for 2021/2022 mainly results from a non-cash item that is debt impairment.

The unauthorised expenditure per directorate can mainly be attributed to depreciation, debt impairment and contracted services (legal costs).

There is no unauthorised expenditure regarding the total budgeted amount.

There was no unauthorised expenditure reported in 2021 financial year.

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	2022	2021 *Restated	2022	2021 *Restated

56. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per directorate:

Municipal Manager	1 005 770	-	1 005 770	-
Chief Financial Officer	25 208 766	-	25 208 766	-
Spatial planning and Development	1 838 284	-	1 838 284	-
Solid Waste, Environmental & Health Management	272 250	-	272 250	-
	28 325 070	-	28 325 070	-

57. Fruitless and wasteful expenditure

Opening balance as previously reported	10 852 831	13 022 784	10 731 676	12 947 312
Add: Fruitless and wasteful expenditure identified - current	6 819	58 973	-	-
Add: Fruitless and wasteful expenditure identified - current year, incurred in the prior period	387 000	-	-	-
Less: Amount recovered - current	(6 819)	(13 290)	-	-
Less: Amount written off - current	-	(2 215 636)	-	(2 215 636)
Closing balance	11 239 831	10 852 831	10 731 676	10 731 676

BCMM has established a Municipal Public Accounts Committee (MPAC) which is constituted by Council to investigate all irregular, fruitless and wasteful expenditure. The MPAC recommends to Council the write off and future actions to be taken in accordance with the provisions in terms of Section 32 of the MFMA.

Cases under investigation

Investigations are still in progress regarding 20 cases (2021:21) which relate to interest on late payments and negligence.

Amounts recoverable

There are no recoverable amounts.

Amounts written-off

There are no amounts written off.

58. Irregular expenditure

Opening balance as previously reported	3 085 212 548	2 520 884 797	3 084 813 818	2 518 729 268
Restatement	-	365 078 738	-	365 078 738
Opening balance as restated	3 085 212 548	2 885 963 535	3 084 813 818	2 883 808 006
Add: Irregular Expenditure - current	1 529 971 015	291 115 980	1 442 386 188	201 005 812
Irregular expenditure identified in current year relating to prior years	4 689 793 434	-	4 689 793 434	-
Less: Amount written off - current	(87 983 557)	(91 866 967)	-	-
Closing balance	9 216 993 440	3 085 212 548	9 216 993 440	3 084 813 818

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	2022	2021 *Restated	2022	2021 *Restated

58. Irregular expenditure (continued)

Analysis of expenditure awaiting write-off per age classification

Prior years (Opening balance)	3 085 212 548	2 885 963 535	3 084 813 818	2 883 808 006
Current year	1 529 971 015	291 115 980	1 442 386 188	201 005 812
Irregular expenditure identified in current year relating to prior years	4 689 793 434	-	4 689 793 434	-
Less: Amounts ratified/approved as irrecoverable by council and written off	(87 983 557)	(91 866 967)	-	-
	9 216 993 440	3 085 212 548	9 216 993 440	3 084 813 818

Details of irregular expenditure

Procurement made outside SCM regulations	821 657 517	2 468 606	821 657 517	2 468 606
Bid Construction Contracts (BCC)	16 775 532	109 381 097	16 775 532	109 381 097
Annual contracts	54 927 993	74 848 271	54 927 993	74 848 271
Informal contracts	197 495	-	197 495	-
Formal contracts	94 685	331 398	94 685	331 398
3 Quotation System	39 600	-	39 600	-
Suppliers in service of state - Not-declared state employees	-	5 610 448	-	5 610 448
Expired leases	22 889 315	6 171 309	22 889 315	6 171 309
Inadequate rotation on panel contracts	292 615 886	-	292 615 886	-
Capital expenditure from annual contracts	233 188 165	2 194 684	233 188 165	2 194 684
Bid Adjudication Committee - BCMDA	87 584 827	90 110 167	-	-
	1 529 971 015	291 115 980	1 442 386 188	201 005 813

59. In-kind donations and assistance

FELZOO donated assistance to BCMM	17 819	9 661	17 819	9 661
FELA donated assistance to BCMM	3 600	3 600	3 600	3 600
Nahoon Point Nature Reserve	54 047	37 273	54 047	37 273
	75 466	50 534	75 466	50 534

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

60. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	16 378 276	15 659 900	16 378 276	15 659 900
Amount paid - current year	(16 378 276)	(15 659 900)	(16 378 276)	(15 659 900)
	-	-	-	-

Contributions to SA Cities Network

Current year contribution	4 627 270	4 064 221	4 627 270	4 064 221
Amount paid - current year	(4 627 270)	(4 064 221)	(4 627 270)	(4 064 221)
	-	-	-	-

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	2022	2021 *Restated	2022	2021 *Restated

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

Audit fees

Current year subscription / fee	22 321 276	20 882 918	22 321 276	20 882 918
Amount paid - current year	(22 321 276)	(20 882 918)	(22 321 276)	(20 882 918)
	-	-	-	-

PAYE, UIF and Skills Development Levy

Opening balance	603 189	530 657	-	-
Current year subscription / fee	426 434 435	391 824 701	420 351 584	386 207 146
Amount paid - current year	(426 448 044)	(391 752 169)	(420 351 584)	(386 207 146)
	589 580	603 189	-	-

Amounts in respect of June 2022 were paid by the 7 July 2022 as per legislation, therefore there were no outstanding amounts for the financial year 2021/22.

Pension and Medical Aid Deductions

Opening balance	117 794	122 146	-	-
Current year subscription / fee	618 570 299	595 251 883	616 778 826	593 504 234
Amount paid - current year	(618 553 275)	(595 256 235)	(616 778 826)	(593 504 234)
	134 818	117 794	-	-

Amounts in respect of June 2022 were paid by the 7 July 2022 as per legislation, therefore there were no outstanding amounts for the financial year 2021/22.

VAT

VAT payable	8 037 335	10 555 884	8 821 205	11 258 572
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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.

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

Councillors' arrear consumer accounts

Arrear Councillors accounts totalling R155 661 were outstanding for more than 90 days at 30 June 2022 (2021 R55 957) 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 2022 Stop orders are in place, whereby a monthly amount is deducted until the balance is settled.

30 June 2022	Outstanding more than 90 days R	Total R
Councillor R. Angelbeck	50 400	50 400
Councillor N. Fishile	53 377	53 377
Councillor M.J. Mashiya	36 492	36 492
Councillor C.N. Matwele	12 205	12 205
Councillor N.E. Tshabe	3 184	3 184
	155 658	155 658

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

At year end, officials accounts totalling R8 713 371 (2021: R5 048 405) were outstanding for more than 90 days.

61. Transitional provisions

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.

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	2022	2021 *Restated	2022	2021 *Restated

62. Accounting by principals and agents

The entity is party to principal-agent arrangements.

Details of the arrangements are as follows:

Department of Transport

BCMM entered in an agreement with the Department of Transport to collect licence and permit fees and in return BCMM pays these over to the Department of Transport with a 19% retention for BCMM.

The amount retained by BCMM ensures increased revenue collection and is redirected to service delivery.

There are private companies other than BCMM that also offer roadworthy testing of vehicles. Vehicle licences can be renewed at the Post Office, Provincial Department of Transport and certain Banks offer the same services.

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 R343 million owing to BCMM.

Municipality as agent

Resources held on behalf of the principals, but recognised in the entity's own financial statements

No resources are held on behalf of the principals.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R11 242 032 (2021: R11 590 099).

Corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R351 483 328 (2021: R341 108 361) Refer to note 13, Accrued income.

Municipality as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

BCMM received funding through National Treasury GBS funding for the Duncan Village Waste Buy Back Centre. BCMM entered into an agreement with BCMDA to implement the project and on completion, the asset is transferred to BCMM. In this agreement, no project management fees are charged to BCMM. Refer to note 31 Grant and Subsidies Paid and note 48 Related parties, for further details.

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	2022	2021 *Restated	2022	2021 *Restated

62. Accounting by principals and agents (continued)

BCMDA is a development agency of the BCMM and has a responsibility to ensure economic development is achieved through its existence to expedite development of the City and participate in job creation through its mandate areas as approved by Council. Through the signed Service Delivery Agreement (SDA), the Agency was allocated recreational projects to implement on behalf of the City. In this arrangement, the BCMDA appointed contractors to commence with the construction at both Water World and Court Crescent. The City retains control of the assets are thus not recorded in BCMDA's accounting records rather the City. Invoices received from the contractors are recorded as expenditure in the Statement of Financial Performance and as liabilities in the statement of Financial Position. Refer to note 31, Grant and Subsidies Paid and note 51 Related parties for further details.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

63. 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

Community and Public Safety

Economic and Environmental Services

Municipal Governance and Administration

Trading Services

Other

Goods and/or services

Service or activity that is performed by the Metro for the benefit of the public or its institutions.

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.

Management, cohesive policies, guidance, processes and decision-rights

Providing a service to customers at a tariff determined to "recover cost".

Tourism promotion & development and Operations of fresh produce market.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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63. Segment information (continued)

Segment surplus or deficit

Controlling entity - 2022

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	60 947 589	4 252 045 183	-	4 312 992 772
Rental of facilities and equipment	2 141 290	1 267 506	14 821 128	-	2 886 505	21 116 429
Other revenue (exchange)	11 096 746	38 222 277	8 951 185	6 276 009	25 413 836	89 960 053
Interest received	-	721 782	153 746 939	-	-	154 468 721
Property rates	-	-	1 733 914 161	-	-	1 733 914 161
Licences and permits (non-exchange)	-	11 884 476	-	-	243 477	12 127 953
Interest (non-exchange)	-	-	55 177 577	-	-	55 177 577
Government grants and subsidies	303 414 510	224 424 268	433 711 202	732 407 262	35 745 244	1 729 702 486
Other revenue (non-exchange)	82 193 719	-	-	-	-	82 193 719
Public contributions and donations	-	2 293 545	-	-	-	2 293 545
Fines	24 373	12 383 405	-	-	-	12 407 778
Fuel levy	-	-	652 199 000	-	-	652 199 000
Total segment revenue	398 870 638	291 197 259	3 113 468 781	4 990 728 454	64 289 062	8 858 554 194

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	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
63. Segment information (continued)						
Expenditure						
Employee related cost	(572 689 613)	(501 109 936)	(732 419 155)	(682 910 746)	(44 733 126)	(2 533 862 576)
Remuneration of councillors	-	(2 657 361)	(64 682 668)	-	-	(67 340 029)
Depreciation and amortisation	(93 665 049)	(753 351 083)	(150 986 891)	(571 383 451)	(407 638)	(1 569 794 112)
Finance cost	(1 241 047)	(6 211 237)	(1 566 445)	(11 259 890)	(405 875)	(20 684 494)
Debt impairment	(71 630 751)	-	(248 732 401)	(1 065 058 947)	-	(1 385 422 099)
Repairs and maintenance	(25 590 416)	(123 287 750)	(27 604 014)	(223 280 546)	(1 635 996)	(401 398 722)
Bulk purchases	-	-	-	(2 169 309 617)	-	(2 169 309 617)
Contracted services	(15 900 704)	(25 014 558)	(98 377 238)	(81 249 516)	(4 877 224)	(225 419 240)
Grants and subsidies paid	(11 362 676)	-	(55 339 228)	(142 673)	(3 614 847)	(70 459 424)
General expenses	(102 058 647)	(57 272 743)	(313 854 924)	(194 183 970)	(25 432 762)	(692 803 046)
Loss on disposal of assets	(19 452)	58 134	918 159	(428 199)	-	528 642
Fair value adjustments	-	-	15 348 500	-	-	15 348 500
Share of surplus/(deficit) of associate	-	-	29 868 763	-	-	29 868 763
Inventory losses/write-downs	-	14 418	(502 895)	-	-	(488 477)
Total segment expenditure	(894 158 355)	(1 468 832 116)	(1 647 930 437)	(4 999 207 555)	(81 107 468)	(9 091 235 931)
Total segmental surplus/(deficit)						(232 681 737)
Total Revenue as per Statement of Financial Performance						8 858 554 188
Total Expenditure as per Statement of Financial Performance						(9 136 493 353)
Other items as per Statement of Financial Performance - (also included in expenditure table above)						45 257 428
Economic entity's surplus (deficit) for the period						(232 681 737)

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

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Figures in Rand

63. Segment information (continued)

Controlling entity - 2021

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	13 219 578	3 856 423 945	-	3 869 643 523
Rental of facilities and equipment	1 074 834	1 184 782	19 521 336	-	2 441 124	24 222 076
Other revenue (exchange)	12 017 260	38 748 241	21 793 335	8 828 271	24 272 660	105 659 767
Interest received	-	488 136	119 165 690	-	-	119 653 826
Property rates	-	-	1 591 520 430	-	-	1 591 520 430
Licences and permits (non-exchange)	-	12 201 516	-	-	209 910	12 411 426
Interest (non-exchange)	-	-	40 197 816	-	-	40 197 816
Government grants and subsidies	521 596 391	411 225 252	584 568 656	731 963 163	21 773 406	2 271 126 868
Other revenue (non-exchange)	76 003 320	-	-	-	-	76 003 320
Public contributions and donations	-	14 978 941	-	-	-	14 978 941
Fines	11 179	16 647 913	-	-	-	16 659 092
Fuel levy	-	-	593 337 000	-	-	593 337 000
Total segment revenue	610 702 984	495 474 781	2 983 323 841	4 597 215 379	48 697 100	8 735 414 085

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	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
63. Segment information (continued)						
Expenditure						
Employee related cost	(522 866 243)	(518 820 134)	(757 916 120)	(693 843 693)	(43 690 164)	(2 537 136 354)
Remuneration of councillors	-	(1 936 260)	(63 813 408)	-	-	(65 749 668)
Depreciation and amortisation	(84 373 079)	(698 466 741)	(100 766 724)	(501 052 525)	(4 204 442)	(1 388 863 511)
Finance cost	(1 635 392)	(8 471 347)	(2 124 389)	(12 975 276)	(550 434)	(25 756 838)
Debt impairment	(48 668 316)	-	(111 277 808)	(751 794 784)	-	(911 740 908)
Repairs and maintenance	(20 844 121)	(126 825 796)	(30 274 256)	(208 064 972)	(1 367 873)	(387 377 018)
Bulk purchases	-	-	-	(1 866 017 126)	-	(1 866 017 126)
Contracted services	(8 648 065)	(33 057 647)	(87 298 293)	(122 768 147)	(3 434 233)	(255 206 385)
Grants and subsidies paid	(642 684)	-	(60 303 609)	-	(1 053 030)	(61 999 323)
General expenses	(93 751 945)	(47 952 790)	(278 603 899)	(205 069 788)	(10 983 616)	(636 362 038)
Loss on disposal of assets	(14 727)	(8 784 594)	(6 756 710)	(1 050 526)	(18 516)	(16 625 073)
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	(781 444 572)	(1 444 328 046)	(1 496 929 138)	(4 362 636 837)	(65 302 308)	(8 150 640 901)
Total segmental surplus						584 773 184
Total Revenue as per Statement of Financial Performance						8 735 414 085
Total Expenditure as per Statement of Financial Performance						(8 136 209 178)
Other items as per Statement of Financial Performance - (also included in expenditure table above)						(14 431 723)
Controlling entity's surplus for the period						584 773 184

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	2022	2021 *Restated	2022	2021 *Restated

63. 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.

64. 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 R177 464 201 (2021: R224 164 251) 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 - 2022	No of contracts	Economic entity - 2022
Emergency	6	37 083 937	6	37 083 937
Sole supplier	13	79 048 687	13	79 048 687
Other exceptional cases	11	61 475 913	9	61 331 577
	30	177 608 537	28	177 464 201

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	2022	2021 *Restated	2022	2021 *Restated

65. 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:

- 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 LA Retirement Fund's last actuarial valuation was at 30 June 2021 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was in a sound financial condition with a funding level of 102%.

The Consolidated Retirement Fund's last actuarial valuation was at 30 June 2021 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 2021 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 101.18% at valuation date.

The Government Employees Pension Fund's last valuation was at 31 March 2021 conducted by AR. Pienaar of Alexander Forbes Financial Services who confirmed that the fund was in a sound financial condition.

Municipal Worker's Retirement Fund (previously known as SAMWU National Provident Fund) last actuarial valuation was at 30 June 2020 conducted by E.J. Potgieter and G. Base from Towers Watson (Pty) Ltd. The report stated that the fund was in a sound financial position as at 30 June 2020.

The SALA Pension Fund's last valuation was at 01 July 2021 conducted by J.F. Rosslee of ARGENT Actuarial Solutions. The fund was 85.5% funded as at the current valuation date. The valuator was satisfied with the investment strategy of the fund and the nature of the assets is in his opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund.

The Municipal Employees Pension Fund's last interim valuation was at 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 Municipal Worker's last Actuarial Valuation was at 30 June 2021 and prepared by G. Grobler from Alexander Forbes Financial Services who confirmed that the fund continues to be able to meet its 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 R23,2 million.

An amount of R420.1 million (2021: R400.1 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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66. 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	2022	2021
C.C Mandleni		Filing clerk	2 297 749	-
Z. Nkopo		Technician	115 828	-
L. Boya		Communication Officer	2 255 485	1 591 867
M. Mqikela		Skills development	1 032 249	-
S. Mxesibe		Geomatics Technician	-	614 941
C.F. Stoffels		Informal contract	2 723 524	47 246
A. Qwede		Office Manager	42 243	-
H.C. Prince		Administrative officer	340 957	583 407
Z. Gqokoza		Equipment operator	333 385	288 775
S.C. Nkubungu		Project Manager	436 623	362 506
S. Sopazi		Staff accounts	143 092	231 614
Z. Capucapu		Superintendent	-	72 565
Z. Mkwanti		Artisan Assistant	362 907	326 304
K. Somdaka		Office Manager	-	1 173 335
S. Xoki		Chief risk officer	-	55 908
N. Pepani		Admin technician	-	26 044
S. Skepu		Chemical technician	-	181 112
H. Schluter		Program Manager	-	11 339
S. Kweza		Reserve Ranger	-	48 616
A. Fredericks		Senior meter reader	-	38 927
Z. Ndzondo		Bid Secretariat	1 739 238	-
Y. Barley		Intern	-	120 867
B. Nabela		Intern	-	129 360
B.R. Nonkewuse		Supervisor	-	5 626
A. Pepper		Meter Reader	-	68 932
T. Nyati		Secretary	-	101 739
A. Ceba		BCX Director	13 563 133	-
T. Goba		Director	9 453 565	-
J.S.P. Matsebula		Director	968 445	-
K.P. Mfene		Admin clerk	52 200	-
H. Nazir		Teacher	680 000	-
A. Gunyazile		BCMM Councillor	12 745	-
V. Zitumane	BCMDA Board member		4 280 236	3 434 862
			40 833 604	9 515 892

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	2022	2021 *Restated	2022	2021 *Restated
67. Cash flows from operating activities				
Sale of goods and services				
Total revenue from Statement of Financial Performance	8 858 554 188	8 735 414 085	8 867 292 082	8 731 064 575
Less: Interest received - (exchange)	29 (154 468 720)	(119 653 827)	(153 746 938)	(119 165 691)
Less: Interest received - (non-exchange)	27 (55 177 577)	(40 197 816)	(55 177 577)	(40 197 816)
Less: Government grants and subsidies	32 (1 729 702 487)	(2 271 126 869)	(1 739 305 650)	(2 267 813 593)
Movement in receivables from exchange transactions	47 (1 166 290 571)	(1 076 090 780)	(1 161 309 000)	(1 075 503 128)
Movement in receivables from non-exchange transactions	47 (379 067 162)	(280 109 267)	(379 067 162)	(280 109 267)
	5 373 847 671	4 948 235 526	5 378 685 755	4 948 275 080
Government grants and subsidies				
Government grants and subsidies	32 1 729 702 487	2 271 126 869	1 739 305 650	2 267 813 593
Movement in unspent conditional grant	47 16 481 431	(264 502 657)	9 606 898	(262 914 560)
	1 746 183 918	2 006 624 212	1 748 912 548	2 004 899 033
Employee costs & Councillors remuneration				
Employee related costs	34 (2 533 862 564)	(2 537 136 353)	(2 510 296 804)	(2 510 542 547)
Councillors remuneration	35 (67 340 030)	(65 749 668)	(64 682 669)	(63 813 408)
Movement in post-retirement medical aid benefit obligation	47 67 661 000	102 398 000	67 661 000	102 398 000
Movement in bonus provision	18 218 095	4 399 420	(86 165)	3 444 836
	(2 533 323 499)	(2 496 088 601)	(2 507 404 638)	(2 468 513 119)
Suppliers				
Total expenditure as per the Statement of Financial Performance	(9 136 493 353)	(8 136 209 178)	(9 145 808 439)	(8 134 278 922)
Less: Employee related costs	34 2 533 862 564	2 537 136 353	2 510 296 804	2 510 542 547
Less: Councillors remuneration	35 67 340 030	65 749 668	64 682 669	63 813 408
Less: Finance costs	37 20 684 494	25 756 838	20 684 493	25 756 790
Less: Depreciation and amortisation	36 1 569 794 105	1 388 863 513	1 568 682 737	1 387 682 113
Less: Impairment deficit	47 3 005	-	-	-
Less: Debt Impairment	38 1 385 422 099	911 740 908	1 385 422 099	911 740 908
Movement in provisions	18 58 823 722	40 160 450	52 037 749	34 495 181
Movement in prepayments	47 (6 832)	(97 604)	-	-
Movement in trade payables from exchange transactions	47 (208 810 851)	28 664 742	(199 793 698)	32 225 836
Movements in operating lease liability	47 (31 036)	47 859	-	-
Movement in inventory	47 (7 603 951)	(3 327 761)	(7 603 951)	(3 327 759)
Movement in consumer deposits	47 5 567 318	4 082 656	5 567 318	4 082 656
Non-cash adjustments	47 -	11 860 676	-	11 860 676
	(3 711 448 686)	(3 125 570 880)	(3 745 832 219)	(3 155 406 566)