



Buffalo City Metropolitan Municipality
Audited Consolidated Annual Financial Statements
for the year ended 30 June 2023

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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, Gomo, Zwelitsha, Dimbaza, Phakamisa, Ndevana, Iliitha, Ginsberg and the surrounding rural areas.
Mayoral committee	
Executive Mayor	Councillor P. Faku
Councillors	Councillor M. Mfazwe - Human Settlements Councillor S. Matwele - Spatial Planning & Development Councillor N. Maxongo - Financial Services Councillor S. Ntsasela - Economic Development & Agencies Councillor H. Neale-May - Health, Public Safety and Emergency Services Councillor Y. Tyali - Infrastructure Services Councillor G. Lottering - Sports, Recreation and Community Development Councillor N.C. Tom - Corporate Services Councillor C. Yekiso-Morolong - Solid Waste and Environmental Management
Grading of local authority	Grade 6 Municipality
City Manager / Accounting Officer	Mr. M. Yawa
Acting Chief Financial Officer (ACFO)	Mr. 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 Mr. T. Zororo (Member) - appointment 04 September 2020 Ms. T. Maqwati-Naku (Member) - appointment 04 September 2020 Ms. L. Hini - appointment 04 September 2020 - resigned 03 August 2022
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
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act

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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 are given unrestricted access to all financial records and related data.

The audited consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 2024 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 dependent on National and Provincial government 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.

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

The audited consolidated annual financial statements set out on page 4 - 121, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2023.

Accounting Officer
M. Yawa

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022 Restated*	2023	2022 Restated*
Assets					
Current Assets					
Inventories	8	50 846 397	44 209 772	50 806 436	44 147 385
Receivables from non-exchange transactions	9&11	894 752 505	830 255 495	894 752 505	830 255 495
Receivables from exchange transactions	10&11	2 067 794 409	1 845 337 279	2 071 596 850	1 839 155 855
Prepayments	13	-	104 436	-	-
Cash and cash equivalents	12	679 974 997	697 456 815	659 988 423	677 023 479
		3 693 368 308	3 417 363 797	3 677 144 214	3 390 582 214
Non-Current Assets					
Investment property	3	460 264 600	451 397 500	460 264 600	451 397 500
Property, plant and equipment	4	24 870 181 392	24 465 311 941	24 868 978 200	24 463 780 219
Intangible assets	5	9 042 729	10 846 857	8 305 760	10 070 513
Heritage assets	6	50 513 440	50 513 440	50 513 440	50 513 440
Investments in associates	7	686 174 352	706 317 270	686 174 352	706 317 270
		26 076 176 513	25 684 387 008	26 074 236 352	25 682 078 942
Total Assets		29 769 544 821	29 101 750 805	29 751 380 566	29 072 661 156
Liabilities					
Current Liabilities					
Borrowings	18	50 157 564	49 140 563	50 157 564	49 140 563
Operating lease liability	15	89 315	68 368	-	-
Trade payables from exchange transactions	20	1 878 529 217	1 584 781 477	1 875 550 444	1 595 447 134
Consumer deposits	23	83 616 487	79 793 423	83 616 487	79 793 423
Employee benefit obligation	16	59 370 000	29 148 000	59 370 000	29 148 000
Unspent conditional grants and receipts	17	255 178 690	283 485 342	253 824 888	274 305 540
Provisions	19	396 923 669	379 423 717	386 208 154	377 786 640
		2 723 864 942	2 405 840 890	2 708 727 537	2 405 621 300
Non-Current Liabilities					
Borrowings	18	88 696 244	138 853 808	88 696 244	138 853 808
Employee benefit obligation	16	715 349 000	825 728 000	715 349 000	825 728 000
Provisions	19	94 320 191	112 509 556	89 746 342	99 082 969
		898 365 435	1 077 091 364	893 791 586	1 063 664 777
Total Liabilities		3 622 230 377	3 482 932 254	3 602 519 123	3 469 286 077
Net Assets		26 147 314 444	25 618 818 551	26 148 861 443	25 603 375 079
Reserves					
Revaluation reserve	14	15 522 625 351	14 709 129 236	15 522 625 351	14 709 129 236
Accumulated surplus		10 624 689 093	10 909 689 315	10 626 236 092	10 894 245 843
Total Net Assets		26 147 314 444	25 618 818 551	26 148 861 443	25 603 375 079

* See Note 53

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Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022 Restated*	2023	2022 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	25	3 766 314 630	4 204 603 295	3 766 314 630	4 204 603 295
Rental of facilities and equipment	26	24 500 929	20 426 976	24 500 929	20 426 976
Agency services	27	21 870 747	23 878 654	21 870 747	23 878 654
Other revenue - (exchange)	28	75 330 491	66 081 160	74 995 184	65 937 673
Interest received	29	262 739 040	152 553 075	261 622 032	151 831 293
Total revenue from exchange transactions		4 150 755 837	4 467 543 160	4 149 303 522	4 466 677 891
Revenue from non-exchange transactions					
Property rates	30	1 791 370 242	1 698 669 109	1 791 370 242	1 698 669 109
Licences and Permits (non-exchange)	31	12 216 036	12 114 951	12 216 036	12 114 951
Interest (non-exchange)	32	85 675 639	54 304 838	85 675 639	54 304 838
Government grants & subsidies	33	1 936 173 537	1 729 702 487	1 925 040 153	1 739 305 650
Other revenue - (non-exchange)	34	82 451 262	82 262 940	82 451 262	82 262 940
Public contributions and donations	24	4 160 425	2 293 545	4 160 425	2 293 545
Fines	24	6 973 578	12 407 778	6 973 578	12 407 778
Fuel levy	24	719 203 000	652 199 000	719 203 000	652 199 000
Total revenue from non-exchange transactions		4 638 223 719	4 243 954 648	4 627 090 335	4 253 557 811
Total revenue	24	8 788 979 556	8 711 497 808	8 776 393 857	8 720 235 702
Expenditure					
Employee related costs	35	(2 476 159 013)	(2 535 946 820)	(2 432 021 251)	(2 512 381 060)
Remuneration of councillors	36	(69 219 711)	(69 153 266)	(66 749 188)	(66 495 905)
Depreciation and amortisation	37	(1 846 054 391)	(1 589 630 595)	(1 845 224 932)	(1 588 519 227)
Finance costs	38	(16 075 060)	(20 684 494)	(16 074 877)	(20 684 493)
Debt Impairment	40	(897 827 765)	(1 338 506 415)	(897 827 765)	(1 338 506 415)
Bulk purchases	41	(2 206 834 982)	(2 169 309 617)	(2 206 834 982)	(2 169 309 617)
Repairs and maintenance	42	(445 308 261)	(412 255 936)	(444 632 522)	(411 018 988)
Contracted services	43	(283 716 286)	(229 105 428)	(267 349 484)	(211 720 688)
Grants and subsidies paid	44	(91 955 485)	(71 281 035)	(137 494 884)	(127 899 386)
General expenses	45	(729 796 166)	(687 425 861)	(719 188 272)	(686 078 774)
Total expenditure		(9 062 947 120)	(9 123 299 467)	(9 033 398 157)	(9 132 614 553)
Operating deficit		(273 967 564)	(411 801 659)	(257 004 300)	(412 378 851)
Gain/(loss) on disposal of assets	4	430 933	528 642	409 343	470 508
Fair value adjustments	46	8 867 100	15 348 500	8 867 100	15 348 500
Impairment loss	5	(26 356)	-	-	-
Share of surpluses or (deficits) from associates	7	(20 142 918)	29 868 763	(20 142 918)	29 868 763
Inventories losses/write-downs	8	(161 416)	(488 477)	(138 990)	(502 895)
		(11 032 657)	45 257 428	(11 005 465)	45 184 876
Deficit for the year		(285 000 221)	(366 544 231)	(268 009 765)	(367 193 975)

* See Note 53

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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	11 603 155 423	11 479 951 161	23 083 106 584
Adjustments			
Prior year adjustments 53	30 551 746	(203 717 615)	(173 165 869)
Balance at 01 July 2021 as restated*	11 633 707 169	11 276 233 546	22 909 940 715
Changes in net assets			
(Deficit) for the year	-	(366 544 231)	(366 544 231)
Revaluation	3 028 336 712	-	3 028 336 712
Prior period error	47 085 355	-	47 085 355
Total changes	3 075 422 067	(366 544 231)	2 708 877 836
Restated* Balance at 01 July 2022	14 709 129 236	10 909 689 314	25 618 818 550
Changes in net assets			
Revaluation	813 496 115	-	813 496 115
Net income (losses) recognised directly in net assets	813 496 115	-	813 496 115
(Deficit) for the year	-	(285 000 221)	(285 000 221)
Total recognised income and expenses for the year	813 496 115	(285 000 221)	528 495 894
Total changes	813 496 115	(285 000 221)	528 495 894
Balance at 30 June 2023	15 522 625 351	10 624 689 093	26 147 314 444
Note(s)	14	53	
Controlling entity			
Opening balance as previously reported	11 603 155 423	11 466 059 522	23 069 214 945
Adjustments			
Prior year adjustments 53	30 551 746	(204 619 704)	(174 067 958)
Balance at 01 July 2021 as restated*	11 633 707 169	11 261 439 818	22 895 146 987
Changes in net assets			
(Deficit) for the year	-	(367 193 975)	(367 193 975)
Revaluation	3 028 336 712	-	3 028 336 712
Prior period error	47 085 355	-	47 085 355
Total changes	3 075 422 067	(367 193 975)	2 708 228 092
Restated* Balance at 01 July 2022	14 709 129 236	10 894 245 857	25 603 375 093
Changes in net assets			
Revaluation	813 496 115	-	813 496 115
Net income (losses) recognised directly in net assets	813 496 115	-	813 496 115
(Deficit) for the year	-	(268 009 765)	(268 009 765)
Total recognised income and expenses for the year	813 496 115	(268 009 765)	545 486 350
Total changes	813 496 115	(268 009 765)	545 486 350
Balance at 30 June 2023	15 522 625 351	10 626 236 092	26 148 861 443
Note(s)	14	53	

* See Note 53

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022 Restated*	2023	2022 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services	66	5 315 449 010	5 312 684 679	5 305 129 838	5 317 508 008
Government grants and subsidies	66	1 907 866 885	1 746 183 918	1 904 559 501	1 748 912 548
Interest income	32&29	348 414 679	206 857 913	347 297 671	206 136 131
		7 571 730 574	7 265 726 510	7 556 987 010	7 272 556 687
Payments					
Employee costs & Councillors remuneration	66	(2 627 284 737)	(2 538 137 838)	(2 580 025 681)	(2 511 302 130)
Suppliers and other payments	66	(3 465 653 435)	(3 693 364 017)	(3 498 188 668)	(3 728 649 643)
Finance costs	38	(16 075 060)	(20 684 494)	(16 074 877)	(20 684 493)
		(6 109 013 232)	(6 252 186 349)	(6 094 289 226)	(6 260 636 266)
Net cash flows from operating activities	48	1 462 717 342	1 013 540 161	1 462 697 784	1 011 920 421
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 443 300 818)	(1 417 425 060)	(1 443 034 852)	(1 417 048 814)
Proceeds from sale of property, plant and equipment	4	12 665 367	1 380 041	12 643 777	1 263 980
Purchase of other intangible assets	5	(423 146)	(255 048)	(201 202)	-
Net cash flows from investing activities		(1 431 058 597)	(1 416 300 067)	(1 430 592 277)	(1 415 784 834)
Cash flows from financing activities					
Repayment of borrowings		(49 140 563)	(45 190 556)	(49 140 563)	(45 190 556)
Net cash flows from financing activities		(49 140 563)	(45 190 556)	(49 140 563)	(45 190 556)
Net increase/(decrease) in cash and cash equivalents		(17 481 818)	(447 950 462)	(17 035 056)	(449 054 969)
Cash and cash equivalents at the beginning of the year		697 456 815	1 145 407 277	677 023 479	1 126 078 448
Cash and cash equivalents at the end of the year	12	679 974 997	697 456 815	659 988 423	677 023 479

* See Note 53

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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
Economic entity - 2023											
Financial Performance											
Property rates	1 958 216 274	-	1 958 216 274	-	-	1 958 216 274	1 791 370 242	-	(166 846 032)	91 %	
Service charges	4 253 303 496	(80 000 000)	4 173 303 496	-	-	4 173 303 496	3 766 314 630	-	(406 988 866)	90 %	
Investment revenue	30 876 217	480 225	31 356 442	-	-	31 356 442	47 659 847	-	16 303 405	152 %	N1
Transfers recognised - operational	1 446 763 267	29 804 887	1 476 568 154	-	-	1 476 568 154	1 203 572 003	-	(272 996 151)	82 %	N2
Other own revenue	1 182 479 501	44 711 784	1 227 191 285	-	-	1 227 191 285	1 252 598 908	-	25 407 623	102 %	
Total revenue (excluding capital transfers and contributions)	8 871 638 755	(5 003 104)	8 866 635 651	-	-	8 866 635 651	8 061 515 630	-	(805 120 021)	91 %	
Employee costs	(2 686 871 005)	88 782 992	(2 598 088 013)	-	-	(2 598 088 013)	(2 476 159 013)	-	121 929 000	95 %	
Remuneration of councillors	(70 262 860)	-	(70 262 860)	-	-	(70 262 860)	(69 219 711)	-	1 043 149	99 %	
Debt impairment	(1 211 246 355)	-	(1 211 246 355)	-	-	(1 211 246 355)	(897 827 765)	-	313 418 590	74 %	N3
Depreciation and asset impairment	(1 826 633 429)	(21 262 780)	(1 847 896 209)	-	-	(1 847 896 209)	(1 846 080 747)	-	1 815 462	100 %	
Finance charges	(49 360 667)	20 609 884	(28 750 783)	-	-	(28 750 783)	(16 075 060)	-	12 675 723	56 %	N4
Bulk purchases	(2 434 214 099)	167 807 607	(2 266 406 492)	-	-	(2 266 406 492)	(2 206 834 982)	-	59 571 510	97 %	
Transfers and grants	(170 552 856)	(17 926 442)	(188 479 298)	-	-	(188 479 298)	(91 955 485)	-	96 523 813	49 %	N5
Other expenditure	(1 633 505 008)	(89 186 633)	(1 722 691 641)	-	-	(1 722 691 641)	(1 458 982 129)	-	263 709 512	85 %	N6
Total expenditure	(10 082 646 279)	148 824 628	(9 933 821 651)	-	-	(9 933 821 651)	(9 063 134 892)	-	870 686 759	91 %	
Surplus/(Deficit)	(1 211 007 524)	143 821 524	(1 067 186 000)	-	-	(1 067 186 000)	(1 001 619 262)	-	65 566 738	94 %	

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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	734 875 340	(4 849 919)	730 025 421	-		730 025 421	732 601 534		2 576 113	100 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	4 160 425		4 160 425		N7
Surplus (Deficit) after capital transfers and contributions	(476 132 184)	138 971 605	(337 160 579)	-		(337 160 579)	(264 857 303)		72 303 276	79 %	
Share of surplus (deficit) of associate	-	-	-	-		-	(20 142 918)		(20 142 918)		N8
Surplus/(Deficit) for the year	(476 132 184)	138 971 605	(337 160 579)	-		(337 160 579)	(285 000 221)		92 446 194	85 %	N9
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	734 875 340	(4 163 224)	730 712 116	-		730 712 116	732 601 534		1 889 418	100 %	
Borrowing	732 614 380	(732 614 380)	-	-		-	-		-	DIV/0 %	
Internally generated funds	618 872 520	41 607 342	660 479 862	-		660 479 862	729 678 799		69 198 937	110 %	N10
Total sources of capital funds	2 086 362 240	(695 170 262)	1 391 191 978	-		1 391 191 978	1 462 280 333		71 088 355	105 %	
Financial position											
Total current assets	3 516 678 695	153 627 973	3 670 306 668	-		3 670 306 668	3 693 368 308		23 061 640	101 %	
Total non-current assets	24 120 494 016	(702 651 995)	23 417 842 021	-		23 417 842 021	26 076 176 513		2 658 334 492	111 %	N11
Total current liabilities	(1 862 363 444)	(10 710 718)	(1 873 074 162)	-		(1 873 074 162)	(2 723 864 942)		(850 790 780)	145 %	N12
Total non-current liabilities	(2 254 275 609)	727 927 390	(1 526 348 219)	-		(1 526 348 219)	(898 365 435)		627 982 784	59 %	N13
Community wealth/Equity	23 520 533 658	168 192 650	23 688 726 308	-		23 688 726 308	26 147 314 444		2 458 588 136	110 %	

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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	1 036 020 346	81 830 016	1 117 850 362	-		1 117 850 362	1 462 717 342		344 866 980	131 %	N14
Net cash from (used) investing	(2 086 362 240)	695 157 247	(1 391 204 993)	-		(1 391 204 993)	(1 431 058 597)		(39 853 604)	103 %	
Net cash from (used) financing	677 963 941	(732 614 380)	(54 650 439)	-		(54 650 439)	(49 140 563)		5 509 876	90 %	
Net increase/(decrease) in cash and cash equivalents	(372 377 953)	44 372 883	(328 005 070)	-		(328 005 070)	(17 481 818)		310 523 252	5 %	
Cash and cash equivalents at the beginning of the year	1 257 051 917	(5 425 852)	1 251 626 065	-		1 251 626 065	697 456 815		(554 169 250)	56 %	
Cash and cash equivalents at year end	884 673 964	38 947 031	923 620 995	-		923 620 995	679 974 997		(243 645 998)	74 %	N15

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Controlling entity - 2023											
Financial Performance											
Property rates	1 958 216 274	-	1 958 216 274	-	-	1 958 216 274	1 791 370 242	-	(166 846 032)	91 %	
Service charges	4 253 303 496	(80 000 000)	4 173 303 496	-	-	4 173 303 496	3 766 314 630	-	(406 988 866)	90 %	
Investment revenue	30 239 433	-	30 239 433	-	-	30 239 433	46 542 839	-	16 303 406	154 %	N1
Transfers recognised - operational	1 314 276 380	30 493 034	1 344 769 414	-	-	1 344 769 414	1 192 438 619	-	(152 330 795)	89 %	N2
Other own revenue	1 164 050 791	58 237 692	1 222 288 483	-	-	1 222 288 483	1 252 242 011	-	29 953 528	102 %	
Total revenue (excluding capital transfers and contributions)	8 720 086 374	8 730 726	8 728 817 100	-	-	8 728 817 100	8 048 908 341	-	(679 908 759)	92 %	
Employee costs	(2 654 517 434)	106 419 219	(2 548 098 215)	-	-	(2 548 098 215)	(2 432 021 251)	-	116 076 964	95 %	
Remuneration of councillors	(70 262 860)	-	(70 262 860)	-	-	(70 262 860)	(66 749 188)	-	3 513 672	95 %	
Debt impairment	(1 211 246 355)	-	(1 211 246 355)	-	-	(1 211 246 355)	(897 827 765)	-	313 418 590	74 %	N3
Depreciation and asset impairment	(1 825 649 306)	(21 417 442)	(1 847 066 748)	-	-	(1 847 066 748)	(1 845 224 932)	-	1 841 816	100 %	
Finance charges	(49 356 211)	20 605 608	(28 750 603)	-	-	(28 750 603)	(16 074 877)	-	12 675 726	56 %	N4
Bulk purchases	(2 434 214 099)	167 807 607	(2 266 406 492)	-	-	(2 266 406 492)	(2 206 834 982)	-	59 571 510	97 %	
Transfers and grants	(170 335 760)	(17 888 074)	(188 223 834)	-	-	(188 223 834)	(137 494 884)	-	50 728 950	73 %	N5
Other expenditure	(1 515 511 873)	(120 436 119)	(1 635 947 992)	-	-	(1 635 947 992)	(1 431 309 268)	-	204 638 724	87 %	N6
Total expenditure	(9 931 093 898)	135 090 799	(9 796 003 099)	-	-	(9 796 003 099)	(9 033 537 147)	-	762 465 952	92 %	
Surplus/(Deficit)	(1 211 007 524)	143 821 525	(1 067 185 999)	-	-	(1 067 185 999)	(984 628 806)	-	82 557 193	92 %	

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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	734 875 340	(4 163 224)	730 712 116	-		730 712 116	732 601 534		1 889 418	100 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	4 160 425		4 160 425	- %	N7
Surplus (Deficit) after capital transfers and contributions	(476 132 184)	139 658 301	(336 473 883)	-		(336 473 883)	(247 866 847)		88 607 036	74 %	
Share of surplus (deficit) of associate	-	-	-	-		-	(20 142 918)		(20 142 918)	- %	N8
Surplus/(Deficit) for the year	(476 132 184)	139 658 301	(336 473 883)	-		(336 473 883)	(268 009 765)		68 464 118	80 %	N9
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	734 875 340	(4 163 224)	730 712 116	-		730 712 116	732 601 534		1 889 418	100 %	
Borrowing	732 614 380	(732 614 380)	-	-		-	-		-		
Internally generated funds	617 732 520	42 294 037	660 026 557	-		660 026 557	729 410 196		69 383 639	111 %	N10
Total sources of capital funds	2 085 222 240	(694 483 567)	1 390 738 673	-		1 390 738 673	1 462 011 730		71 273 057	105 %	
Financial position											
Total current assets	3 523 575 342	122 944 930	3 646 520 272	-		3 646 520 272	3 677 144 214		30 623 942	101 %	
Total non-current assets	24 116 802 868	(700 901 008)	23 415 901 860	-		23 415 901 860	26 074 236 352		2 658 334 492	111 %	N11
Total current liabilities	(1 857 153 430)	-	(1 857 153 430)	-		(1 857 153 430)	(2 708 727 537)		(851 574 107)	146 %	N12
Total non-current liabilities	(2 254 275 609)	732 614 380	(1 521 661 229)	-		(1 521 661 229)	(893 791 586)		627 869 643	59 %	N13
Community wealth/Equity	23 528 949 171	154 658 302	23 683 607 473	-		23 683 607 473	26 148 861 443		2 465 253 970	110 %	

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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	1 036 755 062	81 075 745	1 117 830 807	-		1 117 830 807	1 462 697 784		344 866 977	131 %	N14
Net cash from (used) investing	(2 085 222 240)	694 483 567	(1 390 738 673)	-		(1 390 738 673)	(1 430 592 277)		(39 853 604)	103 %	
Net cash from (used) financing	677 963 941	(732 614 380)	(54 650 439)	-		(54 650 439)	(49 140 563)		5 509 876	90 %	
Net increase/(decrease) in cash and cash equivalents	(370 503 237)	42 944 932	(327 558 305)	-		(327 558 305)	(17 035 056)		310 523 249	5 %	
Cash and cash equivalents at the beginning of the year	1 251 626 065	-	1 251 626 065	-		1 251 626 065	677 023 479		(574 602 586)	54 %	
Cash and cash equivalents at year end	881 122 828	42 944 932	924 067 760	-		924 067 760	659 988 423		264 079 337	71 %	N15

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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 - (Investment revenue) – Interest rate on call investments and bank is more due to increase in repo rate in the current year which yields greater return on investments.
- N2 - (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.
- N3 - (Debt impairment) – The primary reason for the variance is that the growth in debtors is less than in previous years due to the City stopping the implementation of the water punitive tariffs as resolved by Council.
- N4 - (Finance charges) - The City has not taken any new loans that would attract finance costs. The current repayment contributes to a huge reduction in finance costs and an increase in the capital portion repayment on the amortization schedule.
- N5 - (Transfers and grants) - The variance is mainly as a result of European Union (GBS) funds of R33 Million that were set to be received by BCMDA. The funds are only released after a submission of an application to National Treasury to claim the funds. In the 2022/2023 BCMDA never submitted the claim and therefore the R33 million could not be transferred to BCMDA as budgeted by the Metro. Furthermore, Neighbourhood Partnership Grant could not be fully spent as a result of lengthy procurement processes for procuring programme resources and difficulty in acquiring land for construction of buy back centres.
- N6 - (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.
- N7 - (Contributions recognised - capital and contributed assets) – This is due to external parties donating assets to the entity.
- N8 - (Share of surplus (deficit) of associate) – There was a deficit realised by the East London Industrial Development Zone at 26% share price held by Buffalo City Metropolitan Municipality resulting in R20 142 918 deficit for the year ended June 2023.
- N9 - (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.
- N10 - (Internally generated funds) - This relates to projects that were initially funded by other sources of funding but due to unforeseen circumstances during the financial year these projects ended up being funded by internally generated funds.
- N11 - (Total non-current assets) - There was an increase on revaluation of assets at year end and the new acquisition of assets made.
- N12 - (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.
- N13 - (Total non-current liabilities) - Provision for employee benefits obligations and borrowings have decreased
- N14 - (Net cash from (used) operating) - The variance is mainly due to underperformance on sale of services for 2022/23. Factors contributing to this include increased unemployment. This continues to hamper collection of revenue for the City.
- 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 dipping into the invested reserves.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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 8.

Fair value estimation

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

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

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

Impairment testing

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

The 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - 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 and residual values of 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.

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

Employee benefit obligation

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

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

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

Effective interest rate

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

Allowance for doubtful debts

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

Cash and non-cash generating assets

The 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.

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Service charges

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

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.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

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.

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Intangible assets are derecognised:

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

1.7 Heritage assets

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

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

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

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

Buffalo City Metropolitan Municipality

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Accounting Policies

1.7 Heritage assets (continued)

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.

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.

Buffalo City Metropolitan Municipality

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Accounting Policies

1.8 Interests in other entities

Consolidated financial statements

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

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

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

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

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

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

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.

Buffalo City Metropolitan Municipality

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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 22:

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 22:

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

Buffalo City Metropolitan Municipality

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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.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

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

Initial and subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

Buffalo City Metropolitan Municipality

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Accounting Policies

1.10 Statutory receivables (continued)

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.

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.

Buffalo City Metropolitan Municipality

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Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Buffalo City Metropolitan Municipality

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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.

Buffalo City Metropolitan Municipality

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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 67;

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.

Buffalo City Metropolitan Municipality

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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.

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).
-

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Employee benefits (continued)

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.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Provisions and contingencies (continued)

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 51.

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 50)

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.

Buffalo City Metropolitan Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Sale of goods

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

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

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

Interest

Revenue arising from the use by others of 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.

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.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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.

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.

Buffalo City Metropolitan Municipality

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Accounting Policies

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

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

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

Identifying whether 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.

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 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

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

Buffalo City Metropolitan Municipality

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Accounting Policies

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 and identified. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.29 Budget information (continued)

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 2022/07/01 to 2023/06/30.

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.

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 52)

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.35 Tax

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Economic entity

Controlling entity

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandated for the economic entity's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Impact is currently being assessed
• GRAP 103 (as revised): Heritage Assets	Not yet set	Impact is currently being assessed
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Impact is currently being assessed
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Impact is currently being assessed
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet set	Impact is currently being assessed
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Impact is currently being assessed
• Improvements to the standards of GRAP (Year 2020)	01 April 2023	Impact is currently being assessed
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Impact is currently being assessed

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

3. Investment property

Economic entity	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	460 264 600	-	460 264 600	451 397 500	-	451 397 500

Controlling entity	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	460 264 600	-	460 264 600	451 397 500	-	451 397 500

Reconciliation of investment property - Economic entity - 2023

	Opening balance	Fair value adjustments	Total
Investment property	451 397 500	8 867 100	460 264 600

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 - Controlling entity - 2023

	Opening balance	Fair value adjustments	Total
Investment property	451 397 500	8 867 100	460 264 600

Reconciliation of investment property - Controlling entity - 2022

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

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 R444 632 522 , (2022: R411 018 988) including repairs and maintenance expenses on investment properties. Refer to repairs and maintenance note 42 and commitments note 50.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

3. Investment property (continued)

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 R17 236 586, (2022: R15 510 529).

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

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4. Property, plant and equipment

Economic entity

	2023			2022		
	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	84 478 976	-	84 478 976
Plant and machinery	153 158 742	(107 672 101)	45 486 641	167 382 945	(112 856 176)	54 526 769
Furniture and fixtures	304 619 922	(206 929 573)	97 690 349	299 762 269	(184 847 193)	114 915 076
Motor vehicles	648 333 139	(359 451 818)	288 881 321	644 747 703	(343 557 259)	301 190 444
IT equipment	1 775 176	(1 265 239)	509 937	1 565 438	(963 956)	601 482
Electricity infrastructure	12 674 500 947	(8 600 518 038)	4 073 982 909	12 644 308 016	(8 259 337 211)	4 384 970 805
Other property (halls, social housing)	2 777 552 126	(1 198 142 144)	1 579 409 982	2 674 778 040	(1 104 550 571)	1 570 227 469
Work in progress (WIP)	4 676 640 328	-	4 676 640 328	4 120 008 872	-	4 120 008 872
Recreational facilities	936 539 628	(671 379 971)	265 159 657	913 659 315	(631 950 015)	281 709 300
Roads	17 167 128 836	(10 548 714 282)	6 618 414 554	16 135 518 123	(9 764 500 590)	6 371 017 533
Wastewater network	5 982 353 849	(3 702 221 375)	2 280 132 474	5 939 627 592	(3 565 513 431)	2 374 114 161
Water network	8 655 969 578	(5 014 368 863)	3 641 600 715	8 349 989 614	(4 766 178 686)	3 583 810 928
Community buildings	2 732 291 798	(1 514 498 249)	1 217 793 549	2 621 082 887	(1 397 342 761)	1 223 740 126
Total	56 795 343 045	(31 925 161 653)	24 870 181 392	54 596 909 790	(30 131 597 849)	24 465 311 941

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

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4. Property, plant and equipment (continued)

Controlling entity

	2023			2022		
	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	84 478 976	-	84 478 976
Plant and machinery	153 158 742	(107 672 101)	45 486 641	167 382 945	(112 856 176)	54 526 769
Furniture and fixtures	303 056 484	(206 059 390)	96 997 094	298 220 454	(184 235 618)	113 984 836
Motor vehicles	648 333 139	(359 451 818)	288 881 321	644 747 703	(343 557 259)	301 190 444
Electricity infrastructure	12 674 500 947	(8 600 518 038)	4 073 982 909	12 644 308 016	(8 259 337 211)	4 384 970 805
Other property (halls, social housing)	2 777 552 126	(1 198 142 144)	1 579 409 982	2 674 778 040	(1 104 550 571)	1 570 227 469
Work in progress (WIP)	4 676 640 328	-	4 676 640 328	4 120 008 872	-	4 120 008 872
Recreational facilities	936 539 628	(671 379 971)	265 159 657	913 659 315	(631 950 015)	281 709 300
Roads	17 167 128 836	(10 548 714 282)	6 618 414 554	16 135 518 123	(9 764 500 590)	6 371 017 533
Wastewater network	5 982 353 849	(3 702 221 375)	2 280 132 474	5 939 627 592	(3 565 513 431)	2 374 114 161
Water network	8 655 969 578	(5 014 368 863)	3 641 600 715	8 349 989 614	(4 766 178 686)	3 583 810 928
Community buildings	2 732 291 798	(1 514 498 249)	1 217 793 549	2 621 082 887	(1 397 342 761)	1 223 740 126
Total	56 792 004 431	(31 923 026 231)	24 868 978 200	54 593 802 537	(30 130 022 318)	24 463 780 219

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2023

	Opening balance	Additions	Transfers	Disposals	Revaluations	Depreciation	Total
Land	84 478 976	-	-	-	-	-	84 478 976
Plant and machinery	54 526 769	3 147 886	-	(391 166)	-	(11 796 848)	45 486 641
Furniture and fixtures	114 915 076	14 611 073	-	(466 436)	-	(31 369 364)	97 690 349
Motor vehicles	301 190 444	38 949 467	-	(11 376 832)	-	(39 881 758)	288 881 321
IT equipment	601 482	244 343	-	-	-	(335 888)	509 937
Electricity infrastructure	4 384 970 805	-	125 860 896	-	(95 667 969)	(341 180 823)	4 073 982 909
Other property (halls, social housing)	1 570 227 469	-	57 471 552	-	48 633 438	(96 922 477)	1 579 409 982
Work in progress (WIP)	4 120 008 872	1 390 508 474	(833 877 018)	-	-	-	4 676 640 328
Recreational facilities	281 709 300	-	9 627 909	-	13 252 405	(39 429 957)	265 159 657
Roads	6 371 017 533	-	421 962 993	-	609 647 707	(784 213 679)	6 618 414 554
Wastewater network	2 374 114 161	-	60 295 840	-	(20 900 488)	(133 377 039)	2 280 132 474
Water network	3 583 810 928	-	92 382 625	-	213 597 340	(248 190 178)	3 641 600 715
Community buildings	1 223 740 126	-	66 275 203	-	44 933 682	(117 155 462)	1 217 793 549
	24 465 311 941	1 447 461 243	-	(12 234 434)	813 496 115	(1 843 853 473)	24 870 181 392

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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	Transfers	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	84 478 976	-	-	-	-	-	-	84 478 976
Plant and machinery	60 825 616	5 462 055	-	(30 041)	-	(11 730 861)	-	54 526 769
Furniture and fixtures	129 555 462	14 762 035	-	(162 411)	-	(29 237 005)	(3 005)	114 915 076
Motor vehicles	323 435 768	15 937 147	-	(172 821)	-	(38 009 650)	-	301 190 444
IT equipment	613 146	376 246	-	(57 927)	-	(329 983)	-	601 482
Electricity infrastructure	3 924 518 523	-	273 296 803	(428 199)	484 039 399	(296 455 721)	-	4 384 970 805
Other property (halls, social housing)	1 343 139 888	-	115 700 204	-	195 554 692	(84 167 315)	-	1 570 227 469
Work in progress (WIP)	3 674 907 141	1 380 887 577	(935 785 846)	-	-	-	-	4 120 008 872
Recreational facilities	262 348 504	-	3 843 059	-	49 837 163	(34 319 426)	-	281 709 300
Roads	5 583 941 980	-	286 167 651	-	1 162 686 887	(661 778 985)	-	6 371 017 533
Wastewater network	2 197 274 440	-	29 074 280	-	266 935 582	(119 170 141)	-	2 374 114 161
Water network	2 899 620 452	-	187 542 370	-	710 507 423	(213 859 317)	-	3 583 810 928
Community buildings	1 075 872 011	-	40 161 479	-	205 860 926	(98 154 290)	-	1 223 740 126
	21 560 531 907	1 417 425 060	-	(851 399)	3 075 422 072	(1 587 212 694)	(3 005)	24 465 311 941

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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 - 2023

	Opening balance	Additions	Transfers	Disposals	Revaluations	Depreciation	Total
Land	84 478 976	-	-	-	-	-	84 478 976
Plant and machinery	54 526 769	3 147 886	-	(391 166)	-	(11 796 848)	45 486 641
Furniture and fixtures	113 984 836	14 589 450	-	(466 436)	-	(31 110 756)	96 997 094
Motor vehicles	301 190 444	38 949 467	-	(11 376 832)	-	(39 881 758)	288 881 321
Electricity infrastructure	4 384 970 805	-	125 860 896	-	(95 667 969)	(341 180 823)	4 073 982 909
Other property (halls, social housing)	1 570 227 469	-	57 471 552	-	48 633 438	(96 922 477)	1 579 409 982
Work in progress (WIP)	4 120 008 872	1 390 508 474	(833 877 018)	-	-	-	4 676 640 328
Recreational facilities	281 709 300	-	9 627 909	-	13 252 405	(39 429 957)	265 159 657
Roads	6 371 017 533	-	421 962 993	-	609 647 707	(784 213 679)	6 618 414 554
Wastewater network	2 374 114 161	-	60 295 840	-	(20 900 488)	(133 377 039)	2 280 132 474
Water network	3 583 810 928	-	92 382 625	-	213 597 340	(248 190 178)	3 641 600 715
Community buildings	1 223 740 126	-	66 275 203	-	44 933 682	(117 155 462)	1 217 793 549
	24 463 780 219	1 447 195 277	-	(12 234 434)	813 496 115	(1 843 258 977)	24 868 978 200

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

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 - 2022

	Opening balance	Additions	Transfers	Disposals	Revaluations	Depreciation	Total
Land	84 478 976	-	-	-	-	-	84 478 976
Plant and machinery	60 825 616	5 462 055	-	(30 041)	-	(11 730 861)	54 526 769
Furniture and fixtures	128 358 268	14 762 035	-	(162 411)	-	(28 973 056)	113 984 836
Motor vehicles	323 435 768	15 937 147	-	(172 821)	-	(38 009 650)	301 190 444
Electricity infrastructure	3 924 518 523	-	273 296 803	(428 199)	484 039 399	(296 455 721)	4 384 970 805
Other property (halls, social housing)	1 343 139 888	-	115 700 204	-	195 554 692	(84 167 315)	1 570 227 469
Work in progress (WIP)	3 674 907 141	1 380 887 577	(935 785 846)	-	-	-	4 120 008 872
Recreational facilities	262 348 504	-	3 843 059	-	49 837 163	(34 319 426)	281 709 300
Roads	5 583 941 980	-	286 167 651	-	1 162 686 887	(661 778 985)	6 371 017 533
Wastewater network	2 197 274 440	-	29 074 280	-	266 935 582	(119 170 141)	2 374 114 161
Water network	2 899 620 452	-	187 542 370	-	710 507 423	(213 859 317)	3 583 810 928
Community buildings	1 075 872 011	-	40 161 479	-	205 860 926	(98 154 290)	1 223 740 126
	21 558 721 567	1 417 048 814	-	(793 472)	3 075 422 072	(1 586 618 762)	24 463 780 219

Proceeds on disposal of Property, plant and equipment

	2023	2022	2023	2022
Carrying value of Property, plant and equipment	12 234 434	851 399	12 234 434	793 472
Net gain/(loss) on disposal of assets	430 933	528 642	409 343	470 508
	12 665 367	1 380 041	12 643 777	1 263 980

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 50 for committed expenditure.

The values were determined as 30 June 2023 by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 5435/7. Revaluation methodology is available at BCMM.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

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

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

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

WIP Categories	2023	2022	2023	2022
Buildings	296 912 466	251 991 595	296 912 466	251 991 595
Community facilities	422 208 797	415 408 865	422 208 797	415 408 865
Electricity	115 029 324	51 155 608	115 029 324	51 155 608
Other assets	422 939 851	524 431 677	422 939 851	524 431 677
Roads	2 051 873 178	1 693 880 159	2 051 873 178	1 693 880 159
Sanitation	750 267 850	735 047 722	750 267 850	735 047 722
Water supply	617 408 862	448 093 259	617 408 862	448 093 259
	4 676 640 328	4 120 008 885	4 676 640 328	4 120 008 885

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

Contract	Delay period	Reasons
BCMM/COO/HM/1315/2013	79 months	Illegal occupation on incomplete houses. National Covid-19 lockdowns..
BCMM/COO/HM/1384/2017	35 months	Late NHBRC approval. Late receipt of subsidy agreement. Contractor cashflow related problems.
BCMM/COO/HM/1299/2013	74 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

5. Intangible assets

Economic entity	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	43 566 087	(34 523 358)	9 042 729	43 142 941	(32 296 084)	10 846 857

Controlling entity	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	38 686 800	(30 381 040)	8 305 760	38 485 598	(28 415 085)	10 070 513

Reconciliation of intangible assets - Economic entity - 2023

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	10 846 857	423 146	(2 200 918)	(26 356)	9 042 729

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 - Controlling entity - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	10 070 513	201 202	(1 965 955)	8 305 760

Reconciliation of intangible assets - Controlling entity - 2022

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

Other information

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

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

6. Heritage assets

Economic entity	2023			2022		
	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	2023			2022		
	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 - 2023

	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 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
	50 513 440	50 513 440

Reconciliation of heritage assets Controlling entity - 2023

	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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

6. Heritage assets (continued)

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

7. Investment in associates

Name	Jurisdiction	Principal activity	Economic Entity		Controlling Entity	
			Carrying amount 2023	Carrying amount 2022	Carrying amount 2023	Carrying amount 2022
East London Industrial Development Zone (Pty) Ltd		Development of East London's Industrial Development Zone.	686 174 352	706 317 270	686 174 352	706 317 270
% holding			26 %	26 %	26 %	26 %
			686 174 352	706 317 270	686 174 352	706 317 270
			686 174 352	706 317 270	686 174 352	706 317 270

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

Movements in carrying amount

Opening balance	706 317 270	676 448 506	706 317 270	676 448 506
Other movement	(20 142 918)	29 868 763	(20 142 918)	29 868 763
	686 174 352	706 317 270	686 174 352	706 317 270

Investment in associate at 30 June 2023 amounted to R686 174 352 (2022: R706 317 270).

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	730 693 321	762 187 183	730 693 321	762 187 183
Total liabilities	(44 518 709)	(55 869 653)	(44 518 709)	(55 869 653)
Total equity	686 174 352	706 317 270	686 174 352	706 317 270
Share in surplus/(deficit) for the year	(20 142 918)	29 868 762	(20 142 918)	29 868 762
Surplus - opening balance	706 317 270	676 448 508	706 317 270	676 448 508

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 2022 to 31 March 2023.

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 2022 - 31 March 2023.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *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	294 918 863	292 059 699	294 918 863	292 059 699
Non-current assets	2 515 440 063	2 639 429 465	2 515 440 063	2 639 429 465
Current liabilities	(171 225 804)	(214 883 279)	(171 225 804)	(214 883 279)
Revenue	475 091 045	568 864 498	475 091 045	568 864 498
Expenditure	(550 462 903)	(453 984 460)	(550 462 903)	(453 984 460)
Surplus or (deficit)	(77 472 763)	114 879 858	(77 472 763)	114 879 858
8. Inventories				
Electricity store (Electrical maintenance parts)	21 198 523	17 444 513	21 198 523	17 444 513
Workshop store (Mechanical maintenance parts)	511 756	423 982	511 756	423 982
Water store (Water maintenance parts)	9 660 148	8 536 768	9 660 148	8 536 768
Unsold water (Treated water in pipelines & reservoirs)	7 895 122	7 463 100	7 895 122	7 463 100
General stores (Chiselhurst, Mdantsane, KWT)	11 742 264	10 829 886	11 679 877	10 781 917
	51 007 813	44 698 249	50 945 426	44 650 280
Inventories (write-downs)	(161 416)	(488 477)	(138 990)	(502 895)
	50 846 397	44 209 772	50 806 436	44 147 385
9. Receivables from non-exchange transactions				
Other debtors	28 640 523	23 374 620	28 640 523	23 374 620
Traffic fines	253 081 624	272 165 361	253 081 624	272 165 361
Allowance for impairment - Traffic fines	(216 036 445)	(230 525 193)	(216 036 445)	(230 525 193)
Property rates	11 1 439 493 467	1 284 076 474	11 1 439 493 467	1 284 076 474
Allowance for impairment - Property rates	11 (769 989 168)	(668 085 699)	11 (769 989 168)	(668 085 699)
Other receivables (billing)	11 277 530 200	258 213 095	11 277 530 200	258 213 095
Allowance for impairment - Other receivables (billing)	11 (117 967 696)	(108 963 163)	11 (117 967 696)	(108 963 163)
	894 752 505	830 255 495	894 752 505	830 255 495
Statutory receivables included in receivables from non-exchange transactions above are as follows:				
Property rates - Gross	1 439 493 467	1 284 076 474	1 439 493 467	1 284 076 474
Property rates - Impairment	(769 989 168)	(668 085 699)	(769 989 168)	(668 085 699)
Traffic fines - Gross	253 081 624	272 165 361	253 081 624	272 165 361
Traffic fines - Impairment	(216 036 445)	(230 525 193)	(216 036 445)	(230 525 193)
	706 549 478	657 630 943	706 549 478	657 630 943
Financial asset receivables included in receivables from non-exchange transactions above	22	188 203 027	188 203 027	172 624 552

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
9. Receivables from non-exchange transactions (continued)				
Total receivables from non-exchange transactions	894 752 505	830 255 495	894 752 505	830 255 495
Traffic fines				
Opening Balance - Total Outstanding Fines (Based on prior 3 years)	272 165 361	261 366 487	272 165 361	261 366 487
Less: Outstanding Fines in respect of prior third year	(66 234 022)	(71 772 208)	(66 234 022)	(71 772 208)
Total Traffic Fines Issued BCMM	67 657 340	100 577 050	67 657 340	100 577 050
Traffic Fines withdrawn, untraceable and uncollectable	(8 999 425)	(5 477 690)	(8 999 425)	(5 477 690)
Traffic Fines Paid	(11 507 630)	(12 528 278)	(11 507 630)	(12 528 278)
Total Outstanding Fines	253 081 624	272 165 361	253 081 624	272 165 361
Impairment (Based on a probability collection factor of approx. 15% - 2023 and 15% - 2022)	(216 036 445)	(230 525 193)	(216 036 445)	(230 525 193)
	37 045 179	41 640 168	37 045 179	41 640 168

Credit quality of receivables from non-exchange transactions

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

Receivables from non-exchange transactions impaired

As of 30 June 2023, other receivables from non-exchange transactions of R (887 956 866) (2022: R (777 048 864)) were impaired and provided for.

The amount of the contribution to impairment was R(310 827 450) (2022: R(326 154 769))

Amounts totalling R199 919 448 (2022: R79 730 229) were written off as uncollectable against the debt impairment allowance account. This represents 2% (2022: 1%) of the total operating income for the year.

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 40). 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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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2023	2022 *Restated	2023	2022 *Restated	
9. Receivables from non-exchange transactions (continued)					
Statutory receivable disclosure					
Property rates - Gross ageing					
Current (0 -30 days)	136 593 146	163 152 823	136 593 146	163 152 823	
31 - 60 days	62 139 174	61 079 493	62 139 174	61 079 493	
61 - 90 days	48 966 431	44 986 263	48 966 431	44 986 263	
91 - 120 days	43 441 209	40 179 794	43 441 209	40 179 794	
121 - 365 days	314 575 496	256 328 710	314 575 496	256 328 710	
> 365 days	833 778 010	718 349 391	833 778 010	718 349 391	
	1 439 493 466	1 284 076 474	1 439 493 466	1 284 076 474	
Property rates - Impairment ageing					
Current (0 -30 days)	(73 064 064)	(84 885 963)	(73 064 064)	(84 885 963)	
31 - 60 days	(33 238 422)	(31 778 743)	(33 238 422)	(31 778 743)	
61 - 90 days	(26 192 284)	(23 405 677)	(26 192 284)	(23 405 677)	
91 - 120 days	(23 236 827)	(20 904 943)	(23 236 827)	(20 904 943)	
121 - 365 days	(168 267 332)	(133 363 977)	(168 267 332)	(133 363 977)	
> 365 days	(445 990 240)	(373 746 397)	(445 990 240)	(373 746 397)	
	(769 989 169)	(668 085 700)	(769 989 169)	(668 085 700)	
Property Rates - Consumer debtors past due but not impaired					
Current (0 -30 days)	63 529 082	78 266 860	63 529 082	78 266 860	
31 - 60 days	28 900 752	29 300 750	28 900 752	29 300 750	
61 - 90 days	22 774 147	21 580 586	22 774 147	21 580 586	
91 - 120 days	20 204 382	19 274 851	20 204 382	19 274 851	
121 - 365 days	146 308 165	122 964 733	146 308 165	122 964 733	
> 365 days	387 787 771	344 602 994	387 787 771	344 602 994	
	669 504 299	615 990 774	669 504 299	615 990 774	
The City considers the likelihood of non-payment for each debtor. A debtor is considered either likely to pay, or not. This will result in the entire debt amount outstanding, to be included in the impairment provision, with the exception of those debtors that are identified as being able to settle their debt in full.					
With regards to the recoverability and impairment of traffic fines, the City considers the probability of collecting traffic fines, and determines a % probability collection factor, which is based on a 5-year moving average, which is then applied to the total outstanding fines in order to determine the traffic fine debtor amount. In determining the % probability collection factor, the City also considers the total traffic fines issued, less those fines that are withdrawn, untraceable etc, as well as the fines that are paid.					
10. Receivables from exchange transactions					
Consumer debtors - Electricity - Gross	11	932 239 860	884 254 138	932 239 860	884 254 138
Consumer debtors - Electricity - Impairment	11	(643 563 151)	(576 843 950)	(643 563 151)	(576 843 950)
Consumer debtors - Water - Gross	11	2 281 330 045	2 084 497 157	2 281 330 045	2 084 497 157
Consumer debtors - Water - Impairment	11	(1 691 350 513)	(1 531 063 543)	(1 691 350 513)	(1 531 063 543)
Consumer debtors - Waste water - Gross	11	622 004 048	551 755 073	622 004 048	551 755 073
Consumer debtors - Waste water - Impairment	11	(381 806 506)	(341 921 233)	(381 806 506)	(341 921 233)
Consumer debtors - Refuse - Gross	11	767 203 344	656 886 980	767 203 344	656 886 980
Consumer debtors - Refuse - impairment	11	(433 310 119)	(387 833 143)	(433 310 119)	(387 833 143)
Consumer debtors - Rental debtors - Gross	11	58 985 560	41 209 766	58 985 560	41 209 766
Consumer debtors - Rental debtors - Impairment	11	(30 847 704)	(26 010 339)	(30 847 704)	(26 010 339)
Accrued income		408 831 736	351 483 328	408 831 736	351 483 328
VAT accrual		132 394 179	102 241 091	131 730 293	98 405 454
VAT control		43 779 987	34 444 207	43 752 605	34 336 167
Other debtors		-	-	6 397 352	-
Sundry debtors - BCMDA		1 903 643	2 237 747	-	-
		2 067 794 409	1 845 337 279	2 071 596 850	1 839 155 855

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
10. Receivables from exchange transactions (continued)				
Statutory receivables included in receivables from exchange transactions above are as follows:				
VAT Accrual	131 730 293	98 405 454	131 730 293	98 405 454
VAT Control	43 752 605	34 336 167	43 752 605	34 336 167
Total statutory receivables included above	175 482 898	132 741 621	175 482 898	132 741 621
Total financial asset receivables included above	1 892 311 511	1 712 595 658	1 896 113 952	1 706 414 234
	22			
Total receivables from exchange transactions	2 067 794 409	1 845 337 279	2 071 596 850	1 839 155 855

Credit quality of trade and other receivables from exchange transactions

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

Trade and other receivables impaired

As of 30 June 2023, trade and other receivables of R (3 180 877 993) (2022: R (2 863 672 208)) were impaired and provided for. The amount of the contribution to impairment was R(688 558 231) (2022: R(1 171 628 494)).

Amounts totalling as of 30 June 2023 R371 352 446 (2022: R250 829 875) were written off as uncollectable against the debt impairment allowance account. This represents 4% (2022: 3%) of the total operating income for the year.

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 40). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

In terms of the arrangements to repay rates and services debt as at 30 June 2023, 3 027(2021: 6 350) debtors had active outstanding arrangements to the value of R64 616 188 (2022: R173 504 944). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

11. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	9	1 439 493 467	1 284 076 474	1 439 493 467	1 284 076 474
Consumer debtors - Electricity	10	932 239 860	884 254 138	932 239 860	884 254 138
Consumer debtors - Water	10	2 281 330 045	2 084 497 157	2 281 330 045	2 084 497 157
Consumer debtors - Waste water	10	622 004 048	551 755 073	622 004 048	551 755 073
Consumer debtors - Refuse	10	767 203 344	656 886 980	767 203 344	656 886 980
Consumer debtors - Rental debtors	10	58 985 560	41 209 766	58 985 560	41 209 766
Consumer debtors - Other receivables (billing)	9	277 530 200	258 213 095	277 530 200	258 213 095
		6 378 786 524	5 760 892 683	6 378 786 524	5 760 892 683

Less: Allowance for impairment

Consumer debtors - Rates	9	(769 989 168)	(668 085 699)	(769 989 168)	(668 085 699)
Consumer debtors - Electricity	10	(643 563 151)	(576 843 950)	(643 563 151)	(576 843 950)
Consumer debtors - Water	10	(1 691 350 513)	(1 531 063 543)	(1 691 350 513)	(1 531 063 543)
Consumer debtors - Waste water	10	(381 806 506)	(341 921 233)	(381 806 506)	(341 921 233)
Consumer debtors - Refuse	10	(433 310 119)	(387 833 143)	(433 310 119)	(387 833 143)
Consumer debtors - Rental debtors	10	(30 847 704)	(26 010 339)	(30 847 704)	(26 010 339)
Consumer debtors - Other receivables (billing)	9	(117 967 696)	(108 963 163)	(117 967 696)	(108 963 163)
		(4 068 834 857)	(3 640 721 070)	(4 068 834 857)	(3 640 721 070)

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2023	2022 *Restated	2023	2022 *Restated	
11. Consumer debtors disclosure (continued)					
Net balance					
Consumer debtors - Rates	9	669 504 299	615 990 775	669 504 299	615 990 775
Consumer debtors - Electricity	10	288 676 709	307 410 188	288 676 709	307 410 188
Consumer debtors - Water	10	589 979 532	553 433 614	589 979 532	553 433 614
Consumer debtors - Waste water	10	240 197 542	209 833 840	240 197 542	209 833 840
Consumer debtors - Refuse	10	333 893 225	269 053 837	333 893 225	269 053 837
Consumer debtors - Rental debtors	10	28 137 856	15 199 427	28 137 856	15 199 427
Consumer debtors - Other receivables (billing)	9	159 562 504	149 249 932	159 562 504	149 249 932
		2 309 951 667	2 120 171 613	2 309 951 667	2 120 171 613
Statutory receivables included in consumer debtors above are as follows:					
Consumer debtors - Rates		669 504 299	615 990 775	669 504 299	615 990 775
Financial asset receivables included in consumer debtors above		1 640 447 368	1 504 180 838	1 640 447 368	1 504 180 838
Total consumer debtors		2 309 951 667	2 120 171 613	2 309 951 667	2 120 171 613
Included in above is receivables from exchange transactions					
Electricity		288 676 709	307 410 188	288 676 709	307 410 188
Water		589 979 532	553 433 614	589 979 532	553 433 614
Waste water		240 197 542	209 833 840	240 197 542	209 833 840
Refuse		333 893 225	269 053 837	333 893 225	269 053 837
Rental debtors		28 137 856	15 199 427	28 137 856	15 199 427
		1 480 884 864	1 354 930 906	1 480 884 864	1 354 930 906
Included in above is receivables from non-exchange transactions (taxes and transfers)					
Rates		669 504 299	615 990 775	669 504 299	615 990 775
Other receivables (billing)		159 562 504	149 249 932	159 562 504	149 249 932
		829 066 803	765 240 707	829 066 803	765 240 707
Net balance		2 309 951 667	2 120 171 613	2 309 951 667	2 120 171 613
Rates					
Current (0 -30 days)		136 593 146	163 152 823	136 593 146	163 152 823
31 - 60 days		62 139 174	61 079 493	62 139 174	61 079 493
61 - 90 days		48 966 431	44 986 263	48 966 431	44 986 263
91 - 120 days		43 441 209	40 179 794	43 441 209	40 179 794
121 - 365 days		314 575 496	256 328 710	314 575 496	256 328 710
> 365 days		833 778 011	718 349 391	833 778 011	718 349 391
		1 439 493 467	1 284 076 474	1 439 493 467	1 284 076 474
Electricity					
Current (0 -30 days)		278 628 238	303 341 437	278 628 238	303 341 437
31 - 60 days		33 937 954	49 643 160	33 937 954	49 643 160
61 - 90 days		27 367 520	39 066 559	27 367 520	39 066 559
91 - 120 days		23 054 773	31 745 479	23 054 773	31 745 479
121 - 365 days		158 432 650	140 204 796	158 432 650	140 204 796
> 365 days		410 818 725	320 252 707	410 818 725	320 252 707
		932 239 860	884 254 138	932 239 860	884 254 138

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
11. Consumer debtors disclosure (continued)				
Water				
Current (0 -30 days)	156 840 775	160 884 488	156 840 775	160 884 488
31 - 60 days	59 896 714	72 713 825	59 896 714	72 713 825
61 - 90 days	51 125 320	74 764 270	51 125 320	74 764 270
91 - 120 days	48 227 343	118 094 505	48 227 343	118 094 505
121 - 365 days	362 471 586	707 679 246	362 471 586	707 679 246
> 365 days	1 602 768 307	950 360 823	1 602 768 307	950 360 823
	2 281 330 045	2 084 497 157	2 281 330 045	2 084 497 157
Waste water				
Current (0 -30 days)	48 493 875	64 685 937	48 493 875	64 685 937
31 - 60 days	22 113 278	20 030 859	22 113 278	20 030 859
61 - 90 days	17 319 111	15 139 517	17 319 111	15 139 517
91 - 120 days	15 321 237	13 099 912	15 321 237	13 099 912
121 - 365 days	118 322 314	89 519 900	118 322 314	89 519 900
> 365 days	400 434 233	349 278 948	400 434 233	349 278 948
	622 004 048	551 755 073	622 004 048	551 755 073
Refuse				
Current (0 -30 days)	43 175 468	47 905 976	43 175 468	47 905 976
31 - 60 days	22 848 711	21 602 347	22 848 711	21 602 347
61 - 90 days	19 655 782	17 117 739	19 655 782	17 117 739
91 - 120 days	18 100 409	15 378 290	18 100 409	15 378 290
121 - 365 days	146 265 480	115 790 468	146 265 480	115 790 468
> 365 days	517 157 494	439 092 160	517 157 494	439 092 160
	767 203 344	656 886 980	767 203 344	656 886 980
Rental debtors				
Current (0 -30 days)	2 142 877	3 436 340	2 142 877	3 436 340
31 - 60 days	1 381 408	1 766 805	1 381 408	1 766 805
61 - 90 days	1 248 838	1 664 881	1 248 838	1 664 881
91 - 120 days	1 188 706	1 348 845	1 188 706	1 348 845
121 - 365 days	9 355 050	10 048 511	9 355 050	10 048 511
> 365 days	43 668 681	22 944 384	43 668 681	22 944 384
	58 985 560	41 209 766	58 985 560	41 209 766
Other receivables (billing)				
Current (0 -30 days)	11 721 967	10 448 734	11 721 967	10 448 734
31 - 60 days	6 361 345	5 372 251	6 361 345	5 372 251
61 - 90 days	5 623 286	5 062 334	5 623 286	5 062 334
91 - 120 days	5 057 459	4 101 376	5 057 459	4 101 376
121 - 365 days	43 928 885	30 554 086	43 928 885	30 554 086
> 365 days	204 837 258	202 674 314	204 837 258	202 674 314
	277 530 200	258 213 095	277 530 200	258 213 095

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
11. Consumer debtors disclosure (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	308 630 022	340 433 751	308 630 022	340 433 751
31 - 60 days	139 873 427	151 935 954	139 873 427	151 935 954
61 - 90 days	117 033 364	136 189 217	117 033 364	136 189 217
91 - 120 days	109 180 580	174 109 306	109 180 580	174 109 306
121 - 365 days	852 726 412	1 098 642 525	852 726 412	1 098 642 525
> 365 days	3 366 846 603	2 310 815 384	3 366 846 603	2 310 815 384
	4 894 290 408	4 212 126 137	4 894 290 408	4 212 126 137
Less: Allowance for impairment	(3 162 457 168)	(3 058 526 002)	(3 162 457 168)	(3 058 526 002)
	1 731 833 240	1 153 600 135	1 731 833 240	1 153 600 135
Industrial/ commercial				
Current (0 -30 days)	327 909 710	369 007 753	327 909 710	369 007 753
31 - 60 days	61 707 956	69 000 591	61 707 956	69 000 591
61 - 90 days	50 649 672	56 431 768	50 649 672	56 431 768
91 - 120 days	43 473 807	47 314 645	43 473 807	47 314 645
121 - 365 days	287 115 906	242 428 403	287 115 906	242 428 403
> 365 days	632 562 675	521 373 277	632 562 675	521 373 277
	1 403 419 726	1 305 556 437	1 403 419 726	1 305 556 437
Less: Allowance for impairment	(906 377 689)	(582 195 068)	(906 377 689)	(582 195 068)
	497 042 037	723 361 369	497 042 037	723 361 369
National and provincial government				
Current (0 -30 days)	41 056 614	44 414 231	41 056 614	44 414 231
31 - 60 days	7 097 201	11 272 195	7 097 201	11 272 195
61 - 90 days	3 623 253	5 180 577	3 623 253	5 180 577
91 - 120 days	1 736 748	2 524 251	1 736 748	2 524 251
121 - 365 days	13 509 144	9 054 789	13 509 144	9 054 789
> 365 days	14 297 798	170 764 066	14 297 798	170 764 066
	81 320 758	243 210 109	81 320 758	243 210 109
Total				
Current (0 -30 days)	677 596 346	753 855 735	677 596 346	753 855 735
31 - 60 days	208 678 583	232 208 740	208 678 583	232 208 740
61 - 90 days	171 306 288	197 801 562	171 306 288	197 801 562
91 - 120 days	154 391 135	223 948 202	154 391 135	223 948 202
121 - 365 days	1 153 351 462	1 350 125 717	1 153 351 462	1 350 125 717
> 365 days	4 013 462 712	3 002 952 729	4 013 462 712	3 002 952 729
	6 378 786 526	5 760 892 685	6 378 786 526	5 760 892 685
Less: Allowance for impairment	(4 068 834 859)	(3 640 721 072)	(4 068 834 859)	(3 640 721 072)
	2 309 951 667	2 120 171 613	2 309 951 667	2 120 171 613
Less: Allowance for impairment				
Current (0 -30 days)	(256 474 424)	(461 929 140)	(256 474 424)	(461 929 140)
31 - 60 days	(116 236 121)	(142 287 150)	(116 236 121)	(142 287 150)
61 - 90 days	(97 255 816)	(121 203 967)	(97 255 816)	(121 203 967)
91 - 120 days	(90 730 079)	(137 225 460)	(90 730 079)	(137 225 460)
121 - 365 days	(708 623 593)	(827 296 767)	(708 623 593)	(827 296 767)
> 365 days	(2 799 514 826)	(1 950 778 588)	(2 799 514 826)	(1 950 778 588)
	(4 068 834 859)	(3 640 721 072)	(4 068 834 859)	(3 640 721 072)

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

11. Consumer debtors disclosure (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(3 640 721 072)	(2 473 497 913)	(3 640 721 072)	(2 473 497 913)
Contributions to allowance	(999 385 681)	(1 497 783 263)	(999 385 681)	(1 497 783 263)
Bad debts written off against allowance	571 271 894	330 560 104	571 271 894	330 560 104
	(4 068 834 859)	(3 640 721 072)	(4 068 834 859)	(3 640 721 072)

Reconciliation of allowance for impairment - Receivables from exchange and non-exchange

Balance at beginning of the year	(3 640 721 072)	(2 473 497 913)	(3 640 721 072)	(2 473 497 913)
Contributions to allowance - Receivable from non-exchange transaction	9 (310 827 450)	(326 154 769)	(310 827 450)	(326 154 769)
Contributions to allowance - Receivable from exchange transaction	10 (688 558 231)	(1 171 628 494)	(688 558 231)	(1 171 628 494)
Bad debts written off - Receivable from non-exchange transaction	9 199 919 448	79 730 229	199 919 448	79 730 229
Bad debts written off - Receivable from exchange transaction	10 371 352 446	250 829 875	371 352 446	250 829 875
	(4 068 834 859)	(3 640 721 072)	(4 068 834 859)	(3 640 721 072)

Contribution of allowance for impairment - Receivable from non-exchange transaction includes VAT of R(11 745 972) : 2022: R(10 718 912) , amount recognised in Statement of Financial Performance is R299 081 478 : 2022: R315 435 857 Refer to note 40

Contribution of allowance for impairment - Receivable from exchange transaction includes VAT of R(89 811 943) : 2022: R(148 557 936) , amount recognised in Statement of Financial Performance is R598 746 287 : 2022: R1 023 070 558 Refer to note 40

Credit quality of consumer debtors

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

Consumer debtors past due but not impaired

Current (0 -30 days)	421 121 923	291 926 595	421 121 923	291 926 595
31 - 60 days	92 442 463	89 921 590	92 442 463	89 921 590
61 - 90 days	74 050 473	76 597 595	74 050 473	76 597 595
91 - 120 days	63 661 056	86 722 742	63 661 056	86 722 742
121 - 365 days	444 727 869	522 828 950	444 727 869	522 828 950
> 365 days	1 214 192 250	1 052 174 139	1 214 192 250	1 052 174 139
	2 310 196 034	2 120 171 611	2 310 196 034	2 120 171 611

The ageing of consumer debts impaired

Current (0 -30 days)	256 474 424	461 929 140	256 474 424	461 929 140
31 - 60 days	116 236 121	142 287 150	116 236 121	142 287 150
61 - 90 days	97 255 816	121 203 967	97 255 816	121 203 967
91 - 120 days	90 730 079	137 225 460	90 730 079	137 225 460
121 - 365 days	708 623 593	827 296 767	708 623 593	827 296 767
> 365 days	2 799 514 826	1 950 778 588	2 799 514 826	1 950 778 588
	4 068 834 859	3 640 721 072	4 068 834 859	3 640 721 072

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

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	94 057	90 222	94 032	86 832
Bank balances	133 546 912	117 609 355	113 560 363	100 379 409
Short-term deposits	546 334 028	579 757 238	546 334 028	576 557 238
	679 974 997	697 456 815	659 988 423	677 023 479

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

BCMET	4 097 468	3 837 871	4 097 468	3 837 871
Own funding (operating account commitments)	542 236 560	575 919 367	542 236 560	572 719 367
	546 334 028	579 757 238	546 334 028	576 557 238

Call and short-term deposits per institution

Absa (interest rate range 5.30% - 7.55% 2022: 3.55% - 4.35%)	96 450 584	151 106 674	96 450 584	151 106 674
Nedbank (interest rate range 5.30% - 9.21% 2022: 3.30% - 5.35%)	136 710 035	132 430 484	136 710 035	129 230 484
FNB (interest rate range 5.30% - 9.03% 2022: 3.85% - 5.49%)	146 229 042	141 258 781	146 229 042	141 258 781
RMB (interest rate range 0 2022: 3.30% - 3.63%)	-	23 994 138	-	23 994 138
Standard Bank (interest rate range 6.66% - 9.00% 2022: 3.30% - 5.20%)	118 327 146	120 879 697	118 327 146	120 879 697
Stanlib (interest rate range 7.78% - 7.78% 2022: 4.01% - 4.69%)	44 519 753	6 249 593	44 519 753	6 249 593
BCMET: Absa - Standard Bank (interest rate range 5.30% - 9.00% 2022 3.30% - 5.20%)	4 097 468	3 837 871	4 097 468	3 837 871
	546 334 028	579 757 238	546 334 028	576 557 238

There is a significant rise in interest rates between the 2022 and 2023 financial years due to constant interest rates hikes 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 (2022: R19 095 841)

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

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
STANDARD BANK - Primary Account - 081-166-702	98 200 640	125 512 842	(173 110 285)	(190 835 642)
STANDARD BANK - Market Account - 081-167-873	4 181 974	634 330	2 320 856	2 630 506
STANDARD BANK - Prism Account - 081-167-776	-	-	284 349 792	288 584 545
STANDARD BANK - Imprest Account 081-168-098	274	-	-	-
First National Bank - Public Sector Cheque Account - 620-9871-7899	1 535 629	1 381 147	1 535 629	1 381 146
First National Bank - Commercial Money market Account - 620-9871-9358	18 008 837	4 806 233	18 008 837	4 806 233
First National Bank - Public Sector Cheque Account - 629-0192-1983	442 083	11 042 567	442 083	11 042 567
Total	122 369 437	143 377 119	133 546 912	117 609 355

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

13. Prepayments

There were no prepayments for the 2022/23 financial year. The prepayment in the prior year related to office space rental invoice that was received in June 2022, however dated 01 July 2022. The invoice was erroneously accounted for in June 2022 and paid at 30 June 2022.

Prepayments	-	104 436	-	-
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14. Revaluation reserve

Opening balance	14 709 129 236	11 628 507 082	14 709 129 236	11 628 507 082
Change during the year	813 496 115	3 080 622 154	813 496 115	3 080 622 154
	15 522 625 351	14 709 129 236	15 522 625 351	14 709 129 236

15. Operating lease liability

Current liabilities	89 315	68 368	-	-
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The Agency entered into lease agreements for its two multifunctional printers and office space. GRAP 3 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 and 9% in the two subsequent years. The above operating lease accrual is therefore as a result of adhering with the standard.

16. Employee benefit obligations

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

Carrying value

Balance at the beginning of the year	854 876 000	787 215 000	854 876 000	787 215 000
Current service cost	49 751 000	53 883 000	49 751 000	53 883 000
Interest cost	100 751 000	95 299 000	100 751 000	95 299 000
Actual employer benefit payments	(29 148 000)	(52 874 000)	(29 148 000)	(52 874 000)
Actuarial loss/(gain) recognised in the year	(201 511 000)	(28 647 000)	(201 511 000)	(28 647 000)
	774 719 000	854 876 000	774 719 000	854 876 000

Non-current liabilities	(715 349 000)	(825 728 000)	(715 349 000)	(825 728 000)
Current liabilities	(59 370 000)	(29 148 000)	(59 370 000)	(29 148 000)

Net liability	(774 719 000)	(854 876 000)	(774 719 000)	(854 876 000)
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Net costs

Current service cost	49 751 000	53 883 000	49 751 000	53 883 000
Interest cost	100 751 000	95 299 000	100 751 000	95 299 000
Actual employer benefit payments	(29 148 000)	(52 874 000)	(29 148 000)	(52 874 000)
Actuarial loss/(gains) recognised in the year	(201 511 000)	(28 647 000)	(201 511 000)	(28 647 000)
Net costs per Statement of Financial Performance	(80 157 000)	67 661 000	(80 157 000)	67 661 000

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

Balance at the beginning of the year	533 475 000	512 157 000	533 475 000	512 157 000
Current service cost	22 208 000	28 544 000	22 208 000	28 544 000
Interest costs	63 160 000	66 249 000	63 160 000	66 249 000
Actual employer benefit payments	(20 881 000)	(20 422 000)	(20 881 000)	(20 422 000)
Actuarial loss/(gain) recognised in the year	(86 291 000)	(53 053 000)	(86 291 000)	(53 053 000)
Net costs per Statement of Financial Position	511 671 000	533 475 000	511 671 000	533 475 000

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
16. Employee benefit obligations (continued)				
Post-retirement medical contribution - Net cost				
Current service cost	22 208 000	28 544 000	22 208 000	28 544 000
Interest costs	63 160 000	66 249 000	63 160 000	66 249 000
Actual employer benefit payments	(20 881 000)	(20 422 000)	(20 881 000)	(20 422 000)
Actuarial loss/(gains) recognised in the year	(86 291 000)	(53 053 000)	(86 291 000)	(53 053 000)
	(21 804 000)	21 318 000	(21 804 000)	21 318 000

The best estimates for the employer benefit payments in the 2023/24 financial period is expected to be R20 496 000 (The actual employer benefit payments in the 2022/23 financial period was R20 881 000).

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 ARCH Actuarial Consulting using the Projected Unit Credit Method.

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

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.74 %	11.82 %	12.74 %	11.82 %
Health care cost inflation rate	8.08 %	9.52 %	8.08 %	9.52 %
Net-of-health-care-cost-inflation discount rate	4.06 %	2.10 %	4.06 %	2.10 %
Maximum subsidy inflation rate	5.69 %	6.01 %	5.69 %	6.01 %
Net-of-maximum-subsidy-inflation discount rate	6.42 %	5.48 %	6.42 %	5.48 %
Continuation of membership at retirement	75.00 %	75.00 %	75.00 %	75.00 %
Proportion with a spouse dependent at retirement	60.00 %	90.00 %	60.00 %	90.00 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	10.00 %	- %	10.00 %	- %
Average retirement age	62	62	62	62
Mortality during employment	SA 85-90	SA 85-90	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90)	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90)

Comparison of in-service statistics

Total number of eligible employees	5 234	-	5 234	-
Number of in-service members	3 388	3 517	3 388	3 517
Average age	46.3	46.4	46.3	46.4
Average past service	13.2	13.6	13.2	13.6
Average current value of post-employment subsidy p.m.	R 2 820	R 2 210	R 2 820	R 2 210
Number of in-service non-members	1 846	0% rate assumed	1 846	0% rate assumed
Average age	47	0% rate assumed	46.7	0% rate assumed
Average past service	12	0% rate assumed	11.7	0% rate assumed
Average current value of post-employment subsidy p.m.	R 2 844	0% rate assumed	R 2 844	0% rate assumed

Continuation members

Number of principal members	474	496	474	496
Proportion with a spouse dependent	38%	38%	38%	38%
Average age of members	73.0	73.6	73.0	73.6
Average subsidy per month	R 3 554	R 3 170	R 3 554	R 3 170

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16. Employee benefit obligations (continued)

Sensitivity Results

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

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

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total	% change
Central assumptions		314.753	196.918	511.671	
Health care inflation rate	+1%	343.656	208.926	552.582	8%
	-1%	280.242	184.746	464.988	-9%
Discount rate	+1%	270.561	183.112	453.673	-11%
	-1%	369.875	212.820	582.695	14%
Post-employment mortality	+1 yr	307.821	190.405	498.226	-3%
	-1 yr	321.513	203.445	524.958	3%
Average retirement age	-1 yr	349.183	196.918	546.101	7%
Membership continuation	-10%	272.790	196.918	469.708	-8%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		22 208 000	63 160 000	85 368 000	
Health care inflation rate	+1%	23 597 000	66 506 000	90 103 000	6%
	-1%	20 279 000	58 851 000	79 130 000	-7%
Discount rate	+1%	21 771 000	67 611 000	89 382 000	5%
	-1%	22 633 000	58 546 000	81 179 000	-5%
Mortality rates	x1.2	20 754 000	59 054 000	79 808 000	-7%
	x0.8	23 898 000	68 050 000	91 948 000	8%
Average retirement age	-1 yr	23 416 000	67 797 000	91 213 000	7%
Membership continuation	-10%	19 247 000	57 691 000	76 938 000	-10%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		21 896 000	62 565 000	84 461 000	
Health care inflation rate	+1%	24 124 000	67 661 000	91 785 000	9%
	-1%	19 185 000	56 749 000	75 934 000	-10%
Discount rate	+1%	18 622 000	59 773 000	78 395 000	-7%
	-1%	26 025 000	65 692 000	91 717 000	9%
Post-employment mortality	+1 yr	21 416 000	60 891 000	82 307 000	-3%
	-1 yr	22 363 000	64 219 000	86 582 000	3%
Average retirement age	-1 yr	23 372 000	66 858 000	90 230 000	7%
Membership continuation	-10%	18 980 000	57 332 000	76 312 000	-10%

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	2023	2022 *Restated	2023	2022 *Restated

16. Employee benefit obligations (continued)

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

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

Liability history	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
Accrued liability	511.869	454.831	512.157	533.474	511.671
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	-511.869	-454.831	-512.157	-533.475	-511.671

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 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023
Liabilities: (Gain) / Loss	(3.964)	(12.365)	55.349	50.570	(1.671)
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

16. Employee benefit obligations (continued)

Long service awards amounts recognised in the statement of financial position

Balance at the beginning of the year	321 401 000	275 058 000	321 401 000	275 058 000
Current service cost	27 543 000	25 339 000	27 543 000	25 339 000
Interest cost	37 591 000	29 050 000	37 591 000	29 050 000
Actual employer benefit payments	(8 267 000)	(32 452 000)	(8 267 000)	(32 452 000)
Actuarial loss recognised in the year	(115 220 000)	24 406 000	(115 220 000)	24 406 000
	263 048 000	321 401 000	263 048 000	321 401 000

Long service awards - Net cost

Current service cost	27 543 000	25 339 000	27 543 000	25 339 000
Interest costs	37 591 000	29 050 000	37 591 000	29 050 000
Employer benefits vesting	(8 267 000)	(32 452 000)	(8 267 000)	(32 452 000)
Actuarial losses recognised in the year	(115 220 000)	24 406 000	(115 220 000)	24 406 000
	(58 353 000)	46 343 000	(58 353 000)	46 343 000

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	11.08 %	10.52 %	11.08	10.52 %
Normal salary increase rate	6.44 %	8.45 %	6.44	8.45 %
Net effective discount rate	4.36 %	1.91 %	4.36	1.91 %

Sensitivity analysis

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

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central assumptions		263 048 000	
General earnings inflation rate	+1%	276 011 000	5%
	-1%	251 125 000	-5%
Discount rate	+1%	249 698 000	-5%
	-1%	277 805 000	6%
Average retirement age	+2 yrs	291 043 000	11%
	-2 yrs	234 391 000	-11%
Withdrawal rates	x2	218 001 000	-17%
	x0.5	292 604 000	11%

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	2023	2022 *Restated	2023	2022 *Restated

16. Employee benefit obligations (continued)

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		27 543 000	37 591 000	65 134 000	
General earnings inflation rate	+1%	29 407 000	39 893 000	69 300 000	6%
	-1%	25 853 000	35 482 000	61 335 000	-6%
Discount rate	+1%	25 830 000	35 112 000	60 942 000	-6%
	-1%	29 400 000	39 689 000	69 089 000	6%
Average retirement age	+2 yrs	31 099 000	45 215 000	76 314 000	17%
	-2 yrs	24 295 000	31 197 000	55 492 000	-15%
Withdrawal rates	x1.2	26 285 000	36 218 000	62 503 000	-4%
	x0.8	28 915 000	39 070 000	67 985 000	4%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		23 513 000	27 042 000	50 555 000	
General earnings inflation rate	+1%	24 935 000	28 478 000	53 413 000	6%
	-1%	22 217 000	25 721 000	47 938 000	-5%
Discount rate	+1%	22 281 000	27 876 000	50 157 000	-1%
	-1%	24 884 000	26 084 000	50 968 000	1%
Average retirement age	+2 yrs	25 575 000	30 098 000	55 673 000	10%
	-2 yrs	21 350 000	23 935 000	45 285 000	-10%
Withdrawal rates	x2	18 300 000	22 085 000	40 385 000	-20%
	x0.5	27 110 000	30 300 000	57 410 000	14%

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	2023	2022 *Restated	2023	2022 *Restated

16. Employee benefit obligations (continued)

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

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

Liability history	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
Accrued liability	216.947	229.986	275.058	321.401	263.048
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	(216.947)	(229.986)	(275.058)	(321.401)	(263.048)

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

Experience adjustments	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023
Liabilities: (Gain) / Loss	12.628	18.797	5.198	25.383	(78.428)
Assets: Gain / (Loss)	0.000	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. Buffalo City Metropolitan Development Agency 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.

The amount recognised as an expense for defined contribution plans is	2 049 342	1 791 473	-	-
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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National Government Grants	11 480 457	54 981 344	10 126 655	45 801 542
Provincial Government Grants	6 763 755	6 448 309	6 763 755	6 448 309
Other Conditional Grants	1 808 826	1 701 676	1 808 826	1 701 676
Administrative Grants	235 125 652	220 354 013	235 125 652	220 354 013
	255 178 690	283 485 342	253 824 888	274 305 540

National Government	Unspent balance 2022	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2023
Financial Management Grant (FMG)	71	1 000 000	(965 682)	(20 691)	(13 115)	583
Neighbourhood Development Partnership Grant (NDPG)	2 099	14 581 000	-	(13 314 834)	(1 253 236)	15 028
Neighbourhood Development Partnership Grant (NDP) PEP	18 192 086	21 000 000	(26 086 488)	-	(3 264 241)	9 841 358
Programme and Project Preparation Support Grant (PPPSG)	198	13 776 000	(13 524 169)	-	(251 312)	717
Electricity Demand: Side Management Grant (EDSM)	3 101	-	-	-	(3 101)	-
Urban Settlement Development Grant (USDG)	21 795 343	496 166 000	(43 246 590)	(444 882 573)	(29 832 115)	65
Expanded Public Works Programme (EPWP)	96	10 728 000	(10 727 111)	-	-	985
Informal Settlements Upgrading Partnership Grant (ISUPG)	3 469 073	282 122 000	(15 765 543)	(237 899 388)	(31 925 538)	604
Infrastructure Skills Development Grant (ISDG)	2 185 582	11 750 000	(11 350 057)	(150 000)	(2 322 103)	113 422
Public Transport Network Grant (PTNG)	153 893	-	-	-	-	153 893
DEA - Waste Management Conditional grant - BCMDA	3 020	-	(3 020)	-	-	-
NDPG - Integrated Waste Management Grant - BCMDA	9 176 782	232 672	(329 172)	-	(7 726 480)	1 353 802
Total	54 981 344	851 355 672	(121 997 833)	(696 267 486)	(76 591 241)	11 480 457

Provincial Government	Unspent balance 2022	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2023
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission	1 348 776	2 708 922	-	-	(2 617 685)	1 440 013
Gompo Survey (DVRI Hydroponics)	98 532	-	-	-	-	98 532
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - Land Affairs	200 114	13 593	-	-	-	213 707
Mdantsane Urban Renewal Project (Mount Ruth Node)	3 113 705	210 616	-	-	-	3 324 321
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
Total	6 448 309	2 933 131	-	-	(2 617 685)	6 763 755

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	2023	2022 *Restated	2023	2022 *Restated

17. Unspent conditional grants and receipts (continued)

Other Conditional Grants	Unspent balance 2022	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2023
Buffalo City Metro Transport (BCMET) Funding	2 953	-	-	-	-	2 953
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	166 063	21 388	(156 092)	-	-	31 359
Leiden	90 778	6 429	-	-	-	97 207
Umsobomvu Youth Fund	301 442	23 213	-	-	-	324 655
City of Oldenburg	892 414	212 212	-	-	-	1 104 626
Total	1 701 676	263 241	(156 092)	-	-	1 808 826

Administrative Grant	Unspent balance 2022	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2023
Land Affairs - West Bank	119 481 006	6 979 771	-	-	-	126 460 777
Land Affairs - East Bank	100 873 007	7 791 868	-	-	-	108 664 875
Total	220 354 013	14 771 640	-	-	-	235 125 652

National Government (2022)	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	-	20 581 000	(2 388 914)	-	-	18 192 086
Programme and Project Preparation Support Grant(PPPSG)	-	8 941 000	(8 151 678)	-	(789 124)	198
Electricity Demand: Side Management Grant (EDSM)	273	9 000 000	-	(8 997 172)	-	3 101
Urban Settlement Development Grant (USDG)	32 884 870	499 705 000	(44 421 546)	(393 977 516)	(72 395 465)	21 795 343
Expanded Public Works Programme (EPWP)	87	7 300 000	(7 299 991)	-	-	96
Informal Settlements Upgrading Partnership Grant (ISUPG)	-	238 258 000	(4 114 479)	(212 952 082)	(17 722 366)	3 469 073
Integrated City Development Grant (ICDG)	5 332 549	-	-	-	(5 332 549)	-
Infrastructure Skills Development Grant (ISDG)	3 547 105	10 500 000	(8 118 039)	(118 675)	(3 624 809)	2 185 582
Public Transport Network Grant(PTNG)	153 893	-	-	-	-	153 893
DEA - Waste Management Conditional grant - BCMDA	71 030	629	(68 639)	-	-	3 020
NDPG - Integrated Waste Management Grant - BCMDA	2 234 239	12 712 473	(4 556 863)	-	(1 213 067)	9 176 782
Total	44 243 264	820 998 102	(80 044 128)	(628 069 433)	(102 146 461)	54 981 344

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

17. Unspent conditional grants and receipts (continued)

Provincial Government (2022)	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	1 300 070	1 261 771	-	-	(1 213 065)	1 348 776
Gompo Survey (DVRI Hydroponics)	98 532	-	-	-	-	98 532
Gompo & Mdantsane Art Centres(DVRI Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - LandAffairs	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
Total	6 279 910	1 381 464	-	-	(1 213 065)	6 448 309

Other Conditional Grants (2022)	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(BCMET) Funding	487 499	-	-	(484 546)	-	2 953
Friends of East London Zoo(Felzoo)	248 026	-	-	-	-	248 026
SALAJA (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
Total	2 309 897	67 408	(191 083)	(484 546)	-	1 701 676

Administrative Grant (2022)	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
Total	214 170 839	6 183 174	-	-	-	220 354 013

Though an amount of R255 178 690 is reported as unspent conditional grants, this figure includes the following:

- An amount of R235 125 652 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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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
18. Borrowings				
At amortised cost				
Annuity loans	138 853 808	187 994 371	138 853 808	187 994 371
Non-current liabilities				
At amortised cost	88 696 244	138 853 808	88 696 244	138 853 808
Current liabilities				
At amortised cost	50 157 564	49 140 563	50 157 564	49 140 563

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 8.35% (2022: 8.77%). Refer to note 38 for interest paid on borrowings.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

19. Provisions

Reconciliation of provisions - Economic entity - 2023

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Provisions - Retentions	13 426 587	945 097	(68 625)	-	14 303 059
Landfill sites	417 564 615	183 128	-	-	417 747 743
Bonus provision	60 942 071	58 206 753	(60 108 752)	152 986	59 193 058
	491 933 273	59 334 978	(60 177 377)	152 986	491 243 860

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Provisions - Retentions	6 384 860	7 041 727	-	-	13 426 587
Landfill sites	365 526 866	52 037 749	-	-	417 564 615
Bonus provision	60 723 976	60 291 299	(55 594 076)	(4 479 128)	60 942 071
Provision - EL IDZ Defects	255 754	-	(255 754)	-	-
	432 891 456	119 370 775	(55 849 830)	(4 479 128)	491 933 273

Reconciliation of provisions - Controlling entity - 2023

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Landfill sites	417 564 615	183 128	-	-	417 747 743
Bonus provision	59 304 994	58 206 753	(59 457 980)	152 986	58 206 753
	476 869 609	58 389 881	(59 457 980)	152 986	475 954 496

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

Non-current liabilities	94 320 191	112 509 556	89 746 342	99 082 969
Current liabilities	396 923 669	379 423 717	386 208 154	377 786 640
	491 243 860	491 933 273	475 954 496	476 869 609

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.

Assumptions used

- Interest rate used is BCM's borrowing rate at 8.35% (2022: 8.77%).
- The valuation for the landfill site provision in 2023 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 35: Employee related costs.

The retention provision represents the monies withheld from contractors invoices for the construction of Water World and Court Crescent recreational parks.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2023	2022 *Restated	2023	2022 *Restated	
20. Trade payables from exchange transactions					
Trade payables	22	1 025 013 453	711 286 526	1 024 533 963	727 070 004
Payments received in advanced	22	458 557 736	425 328 020	458 557 736	425 328 020
Retention monies	22	88 237 050	71 367 081	88 237 050	71 367 081
Accrued leave pay	22	130 188 029	131 370 112	130 188 029	131 370 112
Deposits received	22	6 719 659	6 517 946	6 719 659	6 517 946
Other creditors	22	98 632 721	106 947 681	96 229 961	105 004 425
VAT accrual		71 180 569	131 964 111	71 084 046	128 789 546
		1 878 529 217	1 584 781 477	1 875 550 444	1 595 447 134

21. VAT receivable

VAT accrual - creditors	10	132 394 179	102 241 091	131 730 293	98 405 454
VAT control	10	43 779 987	34 444 207	43 752 605	34 336 167
VAT accrual - debtors	20	(71 180 569)	(131 964 111)	(71 084 046)	(128 789 546)
		104 993 597	4 721 187	104 398 852	3 952 075

The above VAT receivable amount is the net amount of total VAT input R722 538 863 (June 2022: R589 789 602) less total VAT output R708 317 977 (June 2022: R753 290 388).

VAT Output includes VAT on impaired debtors of R90 772 711 (2022: R168 236 731).

VAT on impaired debtors		90 772 711	168 236 731	90 772 711	168 236 731
Output VAT		(708 317 977)	(753 290 388)	(708 245 518)	(750 115 823)
		(617 545 266)	(585 053 657)	(617 472 807)	(581 879 092)
Input VAT		722 538 863	589 789 602	721 871 659	585 831 167
		104 993 597	4 735 945	104 398 852	3 952 075

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. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2023

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	188 203 027	188 203 027
Trade and other receivables from exchange transactions	10	1 892 311 511	1 892 311 511
Cash and cash equivalents	12	679 974 997	679 974 997
		2 760 489 535	2 760 489 535

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	458 557 736	458 557 736
Borrowings: Other financial liabilities	18	-	138 853 808	138 853 808
Trade and other payables from exchange transactions	20	-	1 211 883 224	1 211 883 224
Consumer deposits	23	83 616 487	-	83 616 487
Other deposits	20	6 719 659	-	6 719 659
		90 336 146	1 809 294 768	1 899 630 914

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

22. Financial instruments disclosure (continued)

Economic entity - 2022

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	172 624 552	172 624 552
Trade and other receivables from exchange transactions	10	1 712 595 658	1 712 595 658
Cash and cash equivalents	12	697 456 815	697 456 815
		2 582 677 025	2 582 677 025

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	425 328 020	425 328 020
Borrowings: Other financial liabilities	18	-	187 994 371	187 994 371
Trade and other payables from exchange transactions	20	-	889 601 288	889 601 288
Consumer deposits	23	79 793 423	-	79 793 423
Other deposits	20	6 517 946	-	6 517 946
		86 311 369	1 502 923 679	1 589 235 048

Controlling entity - 2023

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	188 203 027	188 203 027
Trade and other receivables from exchange transactions	10	1 896 113 952	1 896 113 952
Cash and cash equivalents	12	659 988 423	659 988 423
		2 744 305 402	2 744 305 402

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	458 557 736	458 557 736
Borrowings: Other financial liabilities	18	-	138 853 808	138 853 808
Trade and other payables from exchange transactions	20	-	1 209 000 974	1 209 000 974
Consumer deposits	23	83 616 487	-	83 616 487
Other deposits	20	6 719 659	-	6 719 659
		90 336 146	1 806 412 518	1 896 748 664

Controlling entity - 2022

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	172 624 552	172 624 552
Trade and other receivables from exchange transactions	10	1 706 414 234	1 706 414 234
Cash and cash equivalents	12	677 023 479	677 023 479
		2 556 062 265	2 556 062 265

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

22. Financial instruments disclosure (continued)

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	425 328 020	425 328 020
Borrowings: Other financial liabilities	18	-	187 994 371	187 994 371
Trade and other payables from exchange transactions	20	-	903 441 510	903 441 510
Consumer deposits	23	79 793 423	-	79 793 423
Other deposits	20	6 517 946	-	6 517 946
		86 311 369	1 516 763 901	1 603 075 270

Financial instruments in Statement of financial performance

Economic entity - 2023

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	29	262 739 040	262 739 040
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	38	(16 075 060)	(16 075 060)
Impairment loss	40	897 827 765	897 827 765
		1 144 491 745	1 144 491 745

Economic entity - 2022

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	29	152 553 075	152 553 075
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	38	(20 684 494)	(20 684 494)
Impairment loss	40	1 338 506 415	1 338 506 415
		1 470 374 996	1 470 374 996

Controlling entity - 2023

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	29	261 622 032	261 622 032
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	38	(16 074 877)	(16 074 877)
Debt impairment	40	897 827 765	897 827 765
		1 143 374 920	1 143 374 920

Controlling entity - 2022

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	29	151 831 293	151 831 293
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	38	(20 684 493)	(20 684 493)
Debt impairment	40	1 338 506 415	1 338 506 415
		1 469 653 215	1 469 653 215

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
23. Consumer deposits				
Electricity	51 819 509	49 647 559	51 819 509	49 647 559
Water	31 796 978	30 145 864	31 796 978	30 145 864
	83 616 487	79 793 423	83 616 487	79 793 423

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 R81 861 607 (2022: R79 793 423).

24. Revenue

Service charges	3 766 314 630	4 204 603 295	3 766 314 630	4 204 603 295
Rental of facilities and equipment	24 500 929	20 426 976	24 500 929	20 426 976
Agency services	21 870 747	23 878 654	21 870 747	23 878 654
Licences and permits (non-exchange)	12 216 036	12 114 951	12 216 036	12 114 951
Total other revenue	75 330 491	66 081 160	74 995 184	65 937 673
Interest received	262 739 040	152 553 075	261 622 032	151 831 293
Property rates	1 791 370 242	1 698 669 109	1 791 370 242	1 698 669 109
Interest (non-exchange)	85 675 639	54 304 838	85 675 639	54 304 838
Government grants & subsidies	1 936 173 537	1 729 702 487	1 925 040 153	1 739 305 650
Levies	82 451 262	82 262 940	82 451 262	82 262 940
Public contributions and donations	4 160 425	2 293 545	4 160 425	2 293 545
Fines	6 973 578	12 407 778	6 973 578	12 407 778
Fuel levy	719 203 000	652 199 000	719 203 000	652 199 000
	8 788 979 556	8 711 497 808	8 776 393 857	8 720 235 702

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

Service charges	3 766 314 630	4 204 603 295	3 766 314 630	4 204 603 295
Rental of facilities and equipment	24 500 929	20 426 976	24 500 929	20 426 976
Agency services	21 870 747	23 878 654	21 870 747	23 878 654
Total other revenue	75 330 491	66 081 160	74 995 184	65 937 673
Interest received	262 739 040	152 553 075	261 622 032	151 831 293
	4 150 755 837	4 467 543 160	4 149 303 522	4 466 677 891

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
24. Revenue (continued)				
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Property rates	1 791 370 242	1 698 669 109	1 791 370 242	1 698 669 109
Licences and permits (non-exchange)	12 216 036	12 114 951	12 216 036	12 114 951
Interest (non-exchange)	85 675 639	54 304 838	85 675 639	54 304 838
Transfer revenue				
Government grants & subsidies	1 936 173 537	1 729 702 487	1 925 040 153	1 739 305 650
Levies	82 451 262	82 262 940	82 451 262	82 262 940
Public contributions and donations	4 160 425	2 293 545	4 160 425	2 293 545
Fines	6 973 578	12 407 778	6 973 578	12 407 778
Fuel levy	719 203 000	652 199 000	719 203 000	652 199 000
	4 638 223 719	4 243 954 648	4 627 090 335	4 253 557 811

Fines are made up as follows:

Traffic fines movement	(4 594 989)	(178 469)	(4 594 989)	(178 469)
Revenue received	11 568 567	12 586 247	11 568 567	12 586 247
	6 973 578	12 407 778	6 973 578	12 407 778

Total fines outstanding at 30 June 2023 is R253 081 624 (R272 165 361 : 2022) after eliminating untraceable and collected fines. A probability factor of 15% (15% : 2022) collection of total outstanding fines was calculated resulting in a traffic fines debtor amount of R37 045 180 (R41 640 169 : 2022). Refer to note 9.

The lifespan of traffic fines is as follows:

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

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

Public contributions and donations

The City received donations in relation to electricity infrastructure of R3m, vehicles of R954k and computer equipment to the value of R131k. In 2022 two specialised vehicles donated by Road Traffic Management Corporation (RTMC).

25. Service charges

Sale of electricity	2 086 612 315	2 072 200 954	2 086 612 315	2 072 200 954
Sale of water	751 291 531	1 197 469 993	751 291 531	1 197 469 993
Sewerage and sanitation charges - Non Pans	367 454 504	358 594 751	367 454 504	358 594 751
Sewerage and sanitation charges - Pans	106 529 416	106 606 572	106 529 416	106 606 572
Refuse removal	398 396 465	386 912 270	398 396 465	386 912 270
Other service charges	86 970 953	112 339 760	86 970 953	112 339 760
Less: Income forgone - Sale of water	(30 940 554)	(29 195 667)	(30 940 554)	(29 195 667)
Less: Income forgone - Refuse removal	-	(325 338)	-	(325 338)
	3 766 314 630	4 204 603 295	3 766 314 630	4 204 603 295

26. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	24 500 929	20 426 976	24 500 929	20 426 976
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27. Agency services

Vehicle Registration	21 870 747	23 878 654	21 870 747	23 878 654
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Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
28. Other revenue - (exchange)				
Admission fees	2 410 828	1 577 509	2 410 828	1 577 509
Cemetery fees	8 602 274	8 413 955	8 602 274	8 413 955
Commission	32 945 213	28 805 081	32 945 213	28 805 081
Coupons and clip tickets	317 517	193 080	317 517	193 080
Grazing fees	52 787	23 638	52 787	23 638
Insurance	5 635 947	2 391 845	5 635 947	2 391 845
Plan approval fees	9 561 794	9 835 956	9 561 794	9 835 956
Private works	2 304 618	3 272 824	2 304 618	3 272 824
Tender receipts	430 094	829 819	430 094	829 819
Sale of plants and animals	16 916	11 156	16 916	11 156
Sale of scrap waste	2 232 746	2 639 646	2 232 746	2 639 646
Street frontage and administration fees	81 757	119 279	81 757	119 279
Sundry income	7 758 585	3 769 183	7 423 278	3 625 696
Town planning and sub-division fees	2 959 742	4 089 478	2 959 742	4 089 478
Vehicle registrations	19 673	108 711	19 673	108 711
	75 330 491	66 081 160	74 995 184	65 937 673
29. Interest received				
Interest revenue				
Call accounts with financial institutions	28 680 193	18 380 400	28 680 193	18 380 400
Bank	18 979 654	14 705 167	17 862 646	13 983 385
Interest charged on trade and other receivables	215 079 193	119 467 508	215 079 193	119 467 508
	262 739 040	152 553 075	261 622 032	151 831 293

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
30. Property rates				
Rates received				
Agricultural	10 858 354	10 243 658	10 858 354	10 243 658
Commercial	721 921 474	687 912 981	721 921 474	687 912 981
Industrial	155 695 153	146 323 917	155 695 153	146 323 917
Mining	258 342	235 713	258 342	235 713
Public Benefit Organisation	1 084 583	887 038	1 084 583	887 038
Public Service Infrastructure	750 798	716 410	750 798	716 410
Public Service Purpose	95 764 623	85 456 348	95 764 623	85 456 348
Residential	782 283 805	740 658 616	782 283 805	740 658 616
Vacant land	88 668 461	84 909 385	88 668 461	84 909 385
Less: Income forgone	(65 915 351)	(58 674 957)	(65 915 351)	(58 674 957)
	1 791 370 242	1 698 669 109	1 791 370 242	1 698 669 109

Valuations

Agricultural	3 111 382 222	3 108 747 000
Commercial	22 650 767 500	22 740 583 500
Industrial	4 437 396 000	4 384 071 000
Mining	11 460 000	11 460 000
Public Benefit Organisation	265 283 000	247 675 000
Public Service Infrastructure	276 264 500	268 288 500
Public Service Purpose	4 543 498 900	5 420 923 900
Residential	64 239 508 059	63 709 809 400
Vacant land	3 112 925 620	3 110 341 620
	102 648 485 801	103 001 899 920

The Buffalo City Metropolitan Municipality is required in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) to undertake a General Valuation on Land and Buildings every four years and a supplementary valuation at least once a year. The third general valuation in terms of the MPRA was done in 2017 and the implementation date was 1 July 2018. The valuation date of the current valuation roll is 1 July 2017 and was implemented on 1 July 2018. The validity of the current valuation roll was extended by one financial year ending 30 June 2023 in terms of Section 32 (2) (b) (ii) of the Municipal Property Rates Act 6 of 2004.

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

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 terms of Section 93(B) of the MPRA, the provisions of Section 8 as amended must be implemented by a entity within seven years of the date of the commencement of the Amended act. The 2021/2022 financial year was the seven year since the commencement of the amended act.

The reduction in the total valuation for 2022/2023 financial year is due to a reduction in value of high value properties in the Commercial and Public Service Purpose property categories as reviewed and decided by the Valuation appeal Board. The revaluation was effective from 1 July 2018 and the affected accounts were adjusted with effect from this date and the revenue allocated to the different financial years accordingly.

Tariffs levied: cents in the rand

Agricultural	0.003567	0.003404
Business	0.035672	0.034038
Industrial	0.035672	0.034038
Mining	0.035672	0.034038
Public Benefit Organisation	0.003567	0.003404
Public Service Infrastructure	0.003567	0.003404
Public Service Purpose	0.022831	0.021785
Residential	0.014269	0.013615
Vacant land	0.042881	0.040846

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

30. Property rates (continued)

Rebates, exclusions and exemptions

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

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

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

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

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

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

3) Senior citizens 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 BCM'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 2022/23 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. Licences and permits (non-exchange)

Dog	1 080 301	872 919	1 080 301	872 919
Trading	217 073	243 477	217 073	243 477
Road transport	10 918 662	10 998 555	10 918 662	10 998 555
	12 216 036	12 114 951	12 216 036	12 114 951

32. Interest (non-exchange)

Interest - Receivables	85 675 639	54 304 838	85 675 639	54 304 838
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Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
33. Government grants & subsidies				
Operating grants				
Government grants - operating projects	125 613 811	81 583 051	126 899 349	81 583 051
Other Government grants and subsidies	1 065 539 270	956 885 277	1 065 539 270	971 288 454
LG SETA Grant - BCMDA	47 080	38 094	-	-
Neighbourhood Development Programme Grant - BCMDA	329 173	4 403 242	-	-
Public Employment Programme - BCMDA	12 042 669	358 678	-	-
	1 203 572 003	1 043 268 342	1 192 438 619	1 052 871 505
Capital grants				
Government grant (capital: PPE)	732 601 534	686 434 145	732 601 534	686 434 145
	1 936 173 537	1 729 702 487	1 925 040 153	1 739 305 650
34. Other revenue - (non-exchange)				
Fire levy	82 451 262	82 262 272	82 451 262	82 262 272
Less: Income forgone - Fire levy	-	668	-	668
	82 451 262	82 262 940	82 451 262	82 262 940

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
35. Employee related costs				
Basic emoluments	1 573 468 433	1 533 455 541	1 550 668 024	1 521 662 820
Car allowance	43 014 277	40 469 986	42 954 277	40 359 986
Bonus	-	558 968	-	-
Employee benefit obligation net cost	16 (80 157 000)	67 661 000	(80 157 000)	67 661 000
Essential user cost	30 584 405	28 533 503	30 584 405	28 533 503
Group life	9 817 782	9 412 790	9 817 782	9 412 790
Housing benefits and allowances	11 661 777	11 283 656	11 613 777	11 235 656
Leave pay contributions (Leave pay provision charge)	49 655 886	39 596 025	49 077 011	38 923 232
Long-service awards	37 622 986	34 958 905	37 622 986	34 958 905
Medical aid contributions	114 916 023	113 458 897	114 916 023	113 458 897
Other allowances	72 031 954	70 464 439	72 031 954	70 464 439
Overtime payments	156 955 855	153 631 304	156 955 855	153 631 304
Pension fund contributions	298 481 219	288 820 030	297 313 752	287 761 746
UIF	11 584 985	11 741 849	11 434 029	11 691 714
WCA	286 309	116 944	-	-
SDL	259 493	204 624	-	-
13th Cheques	127 793 915	122 779 097	127 188 376	122 625 068
	2 457 978 299	2 527 147 558	2 432 021 251	2 512 381 060

Remuneration of City Manager

Annual Remuneration	547 515	1 309 219	547 515	1 309 219
Travel Allowance	-	286 000	-	286 000
Allowance	285 095	324 896	285 095	324 896
UIF	1 063	1 948	1 063	1 948
Medical AID	20 028	28 442	20 028	28 442
Pension Contributions	88 632	251 525	88 632	251 525
	942 333	2 202 030	942 333	2 202 030

The position became vacant 01 June 2022. Acting allowance to the value of R163 367 was paid in the 2022/23 financial year in respect of this position. The new incumbent was appointed 13 February 2023

Remuneration of Chief Finance Officer

Annual Remuneration	1 176 869	1 142 591	1 176 869	1 142 591
Travel Allowance	347 806	343 348	347 806	343 348
Allowance	173 431	164 427	173 431	164 427
UIF	2 125	2 125	2 125	2 125
Medical AID	60 084	57 277	60 084	57 277
Pension Contributions	211 836	205 666	211 836	205 666
Group life	11 113	10 700	11 113	10 700
	1 983 264	1 926 134	1 983 264	1 926 134

Remuneration of HOD: Executive Support Services

Annual Remuneration	1 171 861	1 137 729	1 171 861	1 137 729
Travel Allowance	242 766	242 766	242 766	242 766
Allowance	298 948	283 688	298 948	283 688
UIF	2 125	2 125	2 125	2 125
Medical AID	31 687	29 477	31 687	29 477
Pension Contributions	210 935	204 791	210 935	204 791
Group life	16 595	15 978	16 595	15 978
	1 974 917	1 916 554	1 974 917	1 916 554

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

35. Employee related costs (continued)

Remuneration of HOD: Human Settlements

Annual Remuneration	1 176 869	1 142 591	1 176 869	1 142 591
Travel Allowance	348 638	344 179	348 638	344 179
Allowance	160 177	151 635	160 177	151 635
UIF	2 125	2 125	2 125	2 125
Medical AID	60 084	57 277	60 084	57 277
Pension Contributions	211 836	205 666	211 836	205 666
Group life	23 535	22 660	23 535	22 660
	1 983 264	1 926 133	1 983 264	1 926 133

Remuneration of HOD: Corporate Services

Annual Remuneration	1 171 861	1 137 729	1 171 861	1 137 729
Travel Allowance	240 000	240 000	240 000	240 000
Allowance	284 733	270 488	284 733	270 488
UIF	2 125	2 125	2 125	2 125
Medical AID	47 686	44 356	47 686	44 356
Pension Contributions	228 513	221 857	228 513	221 857
	1 974 918	1 916 555	1 974 918	1 916 555

Remuneration of HOD: Public Safety & Emergency Services

Annual Remuneration	784 579	1 142 591	784 579	1 142 591
Allowance	387 643	558 613	387 643	558 613
UIF	1 417	2 125	1 417	2 125
Pension Contributions	148 537	222 805	148 537	222 805
	1 322 176	1 926 134	1 322 176	1 926 134

The position became vacant 01 March 2023. Acting allowance to the value of R41 048 was paid in the 2022/23 financial year in respect of this position.

Remuneration of HOD: Infrastructure Services

Annual Remuneration	1 171 861	1 137 729	1 171 861	1 137 729
Travel Allowance	168 000	168 000	168 000	168 000
Allowance	356 804	341 079	356 804	341 079
UIF	2 125	2 125	2 125	2 125
Medical AID	31 019	29 786	31 019	29 786
Pension Contributions	228 513	221 857	228 513	221 857
Group life	16 595	15 978	16 595	15 978
	1 974 917	1 916 554	1 974 917	1 916 554

Remuneration of HOD: Development and Spatial Planning

Annual Remuneration	1 171 861	1 137 729	1 171 861	1 137 729
Travel Allowance	192 000	192 000	192 000	192 000
Allowance	338 333	322 403	338 333	322 403
UIF	2 125	2 125	2 125	2 125
Medical AID	31 019	29 786	31 019	29 786
Pension Contributions	228 513	221 857	228 513	221 857
Group life	11 066	10 654	11 066	10 654
	1 974 917	1 916 554	1 974 917	1 916 554

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

35. Employee related costs (continued)

Remuneration of HOD: Solid Waste and Environmental Health

Annual Remuneration	1 176 869	1 142 591	1 176 869	1 142 591
Travel Allowance	264 000	264 000	264 000	264 000
Allowance	288 313	273 228	288 313	273 228
UIF	2 125	2 125	2 125	2 125
Medical AID	40 120	38 524	40 120	38 524
Pension Contributions	211 836	205 666	211 836	205 666
	1 983 263	1 926 134	1 983 263	1 926 134

Remuneration of HOD: Economic Development & Agencies

Annual Remuneration	1 176 869	1 142 591	1 176 869	1 142 591
Travel Allowance	347 806	343 348	347 806	343 348
Allowance	220 831	244 039	220 831	244 039
UIF	2 125	2 125	2 125	2 125
Medical AID	23 796	22 136	23 796	22 136
Pension Contributions	211 836	171 895	211 836	171 895
	1 983 263	1 926 134	1 983 263	1 926 134

Remuneration of HOD: Sport, Recreation & Community Development

Annual Remuneration	784 579	187 618	784 579	187 618
Travel Allowance	231 871	57 225	231 871	57 225
Allowance	139 812	28 151	139 812	28 151
UIF	1 417	354	1 417	354
Medical AID	15 864	3 752	15 864	3 752
Pension Contributions	141 224	33 771	141 224	33 771
Group life	7 409	1 825	7 409	1 825
	1 322 176	312 696	1 322 176	312 696

This is a new directorate. The Incumbent was appointed 01 November 2022.

Acting allowance to the value of R40 656 was paid in the 2022/23 financial year in respect of this position.

The salaries, allowances and benefits of the City Manager, the Chief Financial Officer and Senior Managers are as prescribed.

BCMDA - Remuneration of Executive Management

Remuneration - Chief Executive Officer (discharged February 2023)

Annual Remuneration	1 491 966	2 389 191	-	-
Performance Bonuses	-	131 274	-	-
Contributions to UIF, Medical and Pension Funds	165 424	238 419	-	-
Settlement cost	4 950 000	-	-	-
	6 607 390	2 758 884	-	-

Remuneration - Chief Financial Officer (contract ended 30 April 2023)

Annual Remuneration	1 368 381	1 389 479	-	-
Performance Bonuses	-	86 752	-	-
Contributions to UIF, Medical and Pension Funds	137 106	145 092	-	-
	1 505 487	1 621 323	-	-

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
35. Employee related costs (continued)				
Remuneration - Acting Chief Financial Officer (S Peter) (appointed 15 May 2023)				
Annual Remuneration	4 042	-	-	-
Contributions to UIF, Medical and Pension Funds	40	-	-	-
	4 082	-	-	-
Remuneration - Interim Chief Executive Officer (N van Wyk) (appointed 1 November 2022 - 25 January 2023)				
Annual Remuneration	633 590	-	-	-
Contributions to UIF, Medical and Pension Funds	531	-	-	-
	634 121	-	-	-
Remuneration - Interim Chief Executive Officer (M Sibam) (appointed 26 January 2023)				
Annual Remuneration	1 179 711	-	-	-
Contributions to UIF, Medical and Pension Funds	886	-	-	-
	1 180 597	-	-	-
Remuneration - Executive Manager: Corporate Services (re-appointed 1 June 2022)				
Annual Remuneration	2 426 978	1 387 496	-	-
Performance Bonuses	-	74 972	-	-
Contributions to UIF, Medical and Pension Funds	53 220	114 070	-	-
	2 480 198	1 576 538	-	-
The Agency reached an out of court settlement with the Executive Manager: Corporate Services and his contract was terminated as at 30 June 2023.				
Remuneration - Executive Manager: Strategy & Risk (appointed 1 October 2022)				
Annual Remuneration	1 126 125	-	-	-
Contributions to UIF, Medical and Pension Funds	112 969	-	-	-
	1 239 094	-	-	-
Remuneration - Chief Investment Officer (appointed 11 July 2022)				
Annual Remuneration	1 495 723	-	-	-
Contributions to UIF, Medical and Pension Funds	154 345	-	-	-
	1 650 068	-	-	-
Remuneration - Executive Manager: Property Planning, Development and Management (appointed 11 July 2022)				
Annual Remuneration	1 501 525	1 413 269	-	-
Performance Bonuses	-	77 652	-	-
Contributions to UIF, Medical and Pension Funds	151 683	141 899	-	-
	1 653 208	1 632 820	-	-
Remuneration - Acting Executive: Corporate Services (F Goniwe) (appointed December 2022)				
Annual Remuneration	35 078	-	-	-

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
35. Employee related costs (continued)				
Remuneration - Company Secretary & Legal Services Manager (appointed 1 July 2018)				
Annual Remuneration	1 082 232	1 034 680	-	-
	-	56 686	-	-
Contributions to UIF, Medical and Pension Funds	109 159	104 160	-	-
13th Cheque	-	14 171	-	-
	1 191 391	1 209 697	-	-
BCMDA - Remuneration of Executive Management	18 180 714	8 799 262	-	-
Economic entity employee related cost	2 457 978 299	2 527 147 558	2 432 021 251	2 512 381 060
Total employee related costs	2 476 159 013	2 535 946 820	2 432 021 251	2 512 381 060

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
36. Remuneration of councillors				
Executive Major	867 833	825 672	867 833	825 672
Deputy Executive Mayor	510 586	649 702	510 586	649 702
Mayoral Committee Members	5 812 391	6 177 292	5 812 391	6 177 292
Speaker	700 879	655 908	700 879	655 908
Chief Whip	644 244	612 198	644 244	612 198
Councillors salaries	29 074 932	28 694 010	29 074 932	28 694 010
Councillors' pension contribution	4 043 164	3 617 262	4 043 164	3 617 262
Councillors housing subsidy	14 210 027	10 977 176	14 210 027	10 977 176
Councillors medical aid	1 634 503	1 666 179	1 634 503	1 666 179
Cellphone Allowance	4 084 016	4 110 473	4 084 016	4 110 473
Travel allowance	5 166 613	8 510 033	5 166 613	8 510 033
Board fees	2 470 523	2 657 361	-	-
	69 219 711	69 153 266	66 749 188	66 495 905

2023

	Board remuneration	Re-imbursive Costs	Total
Mr T Bonakele	70 500	-	70 500
Ms S Booie	71 500	-	71 500
Ms T Buswana	69 500	-	69 500
Mr B Canning	31 000	-	31 000
Mrs T Godongwana	66 500	-	66 500
Ms M Pango	66 500	-	66 500
Mr C Sangqu	61 500	743	62 243
Mr L Njezula	39 000	654	39 654
Ms N Pietersen (Chairperson)	319 500	5 985	325 485
Mr N van Wyk	254 500	2 279	256 779
Ms A Kumbaca	341 000	16 068	357 068
Ms N Ndevu-Sakube	298 000	3 916	301 916
Mr S Toni	288 500	14 878	303 378
Mr M Sibam	158 000	-	158 000
Mr M Dilima	287 500	3 000	290 500
	2 423 000	47 523	2 470 523

2022

	Board remuneration	Re-imbursive Costs	Total
Mr T Bonakele	306 500	-	306 500
Ms S Booie	380 500	131	380 631
Ms T Buswana	445 500	12 875	458 375
Mr B Canning	212 500	2 037	214 537
Mrs T Godongwana	302 500	-	302 500
Ms M Pango	331 500	-	331 500
Mr C Sangqu	308 500	3 319	311 819
Mr L Njezula	351 500	-	351 500
	2 639 000	18 362	2 657 362

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 R34 587 137 (2022: R26 502 110).

The House Keeper appointed to maintain the Mayoral house cost to Council amounts to R346 596 (2022: R329 117).

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 R382 100 (2022: R399 297). An amount of R4 516 082 (2022: R1 103 034) was incurred for hired vehicles.

The Executive Mayor, Deputy Executive Mayor and Speaker each have full-time bodyguards. Cost of 13 bodyguards amounts to R12 852 173 (2022: R12 111 614).

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2023	2022 *Restated	2023	2022 *Restated	
37. Depreciation and amortisation					
Property, plant and equipment	4	1 843 853 473	1 587 212 694	1 843 258 977	1 586 618 762
Intangible assets	5	2 200 918	2 417 901	1 965 955	1 900 465
		1 846 054 391	1 589 630 595	1 845 224 932	1 588 519 227

38. Finance costs

Borrowings		16 074 877	20 684 493	16 074 877	20 684 493
Bank		183	1	-	-
		16 075 060	20 684 494	16 074 877	20 684 493

Refer to note 18 Borrowings relating to finance cost.

39. Auditors' remuneration

Fees		25 752 648	23 294 389	24 863 782	22 321 276
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40. Debt impairment

Contributions to debt impairment - Exchange	11	598 746 287	1 023 070 558	598 746 287	1 023 070 558
Contributions to debt impairment - Non-exchange	11	299 081 478	315 435 857	299 081 478	315 435 857
		897 827 765	1 338 506 415	897 827 765	1 338 506 415

41. Bulk purchases

Electricity - Eskom		1 936 962 683	1 922 254 903	1 936 962 683	1 922 254 903
Water		269 872 299	247 054 714	269 872 299	247 054 714
		2 206 834 982	2 169 309 617	2 206 834 982	2 169 309 617

Electricity losses

Description	2023 Amount (R)	%	2022 Amount (R)	%
Technical	193 696 268	10.00	192 494 725	10.00
Non-technical	181 744 874	9.21	220 931 932	10.47
	375 441 142	19.21	413 426 657	20.47

Total losses amounted to 250 172 822 kWh (2022: 291 919 493 kWh) of which 130 212 801 kWh (2022: 142 583 689 kWh) are technical losses and 119 960 021 kWh (2022: 149 335 804 kWh) are non-technical losses.

Electricity losses for the current year ending 30 June 2023 amounted to 19.21% (2022: 20.47%) i.e. R375 441 142 (2022: R413 426 657). These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network, account for 10% (2022: 10%) i.e. R192 987 620 (2022: R192 494 725). Non-technical losses, being theft, faults, billing errors etc., account for 9,21% (2022: 10.47%) i.e. R180 482 141 (2022: R220 931 932). Attempts are currently being made to reduce these losses. Electricity Bylaws have been amended to also cover the illegal use of small-scale embedded generation which has impacted the revenue income by a calculated -R242.7 m (at cost) for the 2022 financial year and an increasing (+200%) escalation rate for the 2023 period. A conducted cost of supply study and the associated tariff changes and recommendations will have to be introduced in the 2025 financial year to limit this loss of income. A self-funding revenue recovery project proposal is also being considered to target some +180 000 non-purchasing prepayment customers to rehabilitate this income generating revenue stream to the institution.

Buffalo City Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

41. Bulk purchases (continued)

Water losses

Description	2023 Amount (R)	%	2022 Amount (R)	%
Technical	91 387 427	22.60	80 755 569	21.74
Non-technical	60 905 785	15.06	58 516 397	15.76
	152 293 212	37.66	139 271 966	37.50

Total losses amounted to 24 539 655 KI (2022: 22 824 585 KI) of which 14 725 646 KI (2022: 13 234 625 KI) are technical losses and 9 814 009 KI (2022: 9 589 960 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. The level of unbilled authorised consumption will vary from WSA to WSA and in some areas, virtually all water is metered and billed in some manner with the result that the unbilled authorised consumption is zero.

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

Technical

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

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

42. Repairs and maintenance

Infrastructure	200 640 959	182 189 499	200 640 959	182 189 499
Community assets	11 247 140	12 570 712	11 247 140	12 570 712
Heritage assets	8 014	8 000	8 014	8 000
Other assets	34 069 823	38 822 712	33 394 084	37 585 764
Computer Equipment	846 603	425 155	846 603	425 155
Furniture and Office Equipment	7 066 637	4 160 546	7 066 637	4 160 546
Machinery and Equipment	161 883 310	149 864 521	161 883 310	149 864 521
Transport Assets	29 545 775	24 214 791	29 545 775	24 214 791
	445 308 261	412 255 936	444 632 522	411 018 988

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
43. Contracted services				
Outsourced Services				
Alien Vegetation Control	100 000	397 904	100 000	397 904
Animal Care	1 440 000	1 440 000	1 440 000	1 440 000
Burial Services	506 239	416 090	506 239	416 090
Business and Advisory	258 153	1 632 946	258 153	1 632 946
Catering Services	5 516 959	3 701 209	5 516 959	3 701 209
Cleaning Services	362 846	548 611	362 846	548 611
Clearing and Grass Cutting Services	6 648 953	5 254 520	6 648 953	5 254 520
Connection/Dis-connection	9 130 203	12 016 321	9 130 203	12 016 321
Hygiene Services	44 414	41 631	44 414	41 631
Internal Auditors	391 350	360 928	391 350	360 928
Meter Management	418 089	1 450 188	418 089	1 450 188
Medical Services [Medical Health Services & Support]	49 733	36 176	49 733	36 176
Personnel and Labour	47 411 731	49 125 204	47 411 731	49 125 204
Professional Staff	7 834 173	3 425 531	7 834 173	3 425 531
Refuse Removal	8 819 993	5 150 503	8 819 993	5 150 503
Security Services	3 439 119	4 224 356	87 000	1 561 919
Traffic Fines Management	3 633 454	4 453 962	3 633 454	4 453 962
Consultants and Professional Services				
Business and Advisory	54 282 096	38 349 545	46 432 019	30 361 090
Infrastructure and Planning	7 177 231	9 564 566	5 825 319	2 830 718
Laboratory Services	349 126	343 733	349 126	343 733
Legal Cost	47 002 911	32 358 593	43 190 217	32 358 593
Contractors				
Artists and Performers	1 218 847	650 435	1 218 847	650 435
Building	18 998 896	4 061 577	18 998 896	4 061 577
Electrical	13 668 089	8 388 271	13 668 089	8 388 271
Event Promoters	4 044 507	4 615 439	4 044 507	4 615 439
Inspection Fees	840	22	840	22
Management of Informal Settlements	15 248	4 055	15 248	4 055
Medical Services	44 400	30 730	44 400	30 730
Pest Control and Fumigation	4 850	473 204	4 850	473 204
Plants, Flowers and Other Decorations	75 771	121 724	75 771	121 724
Safeguard and Security	9 692 177	3 875 279	9 692 177	3 875 279
Sewerage Services	29 995 239	31 950 571	29 995 239	31 950 571
Stage and Sound Crew	1 140 649	641 604	1 140 649	641 604
	283 716 286	229 105 428	267 349 484	211 720 688
44. Grants and subsidies paid				
Other subsidies				
Buffalo City Metropolitan Development Agency	-	-	45 539 399	56 618 351
Disaster management fund	679 727	295 310	679 727	295 310
Mayoral Social Responsibility	684 251	244 602	684 251	244 602
Other Organisations	23 042 655	4 065 971	23 042 655	4 065 971
Rural development	1 985 578	3 059 699	1 985 578	3 059 699
Social relief	51 393 264	47 421 911	51 393 264	47 421 911
Sponsored Events	14 170 010	16 193 542	14 170 010	16 193 542
	91 955 485	71 281 035	137 494 884	127 899 386

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
45. General expenses				
Advertising	9 395 139	14 750 591	9 255 314	14 535 206
Auditors remuneration	25 752 648	23 294 389	24 863 782	22 321 276
Bank charges	7 910 774	8 577 341	7 875 455	8 561 888
Cleaning	97 561	192 534	97 561	192 534
Commission paid	38 145 911	39 479 403	38 145 911	39 479 403
Conferences and seminars	2 641 196	3 255 703	2 641 196	3 255 703
Consumables	42 664 378	41 315 797	39 161 584	39 591 402
Entertainment	1 599 892	1 824 293	1 405 451	1 456 481
Fuel and oil	84 614 836	69 683 106	84 578 778	69 681 654
Hire	167 555 391	117 862 790	167 251 390	117 645 353
Insurance	37 619 437	33 853 657	37 441 332	33 699 492
IT expenses	50 668 541	46 852 916	49 734 546	45 770 774
Lease rentals on operating lease	41 397 431	53 403 993	40 231 659	52 333 319
Levies	20 786 071	20 633 219	20 786 071	20 633 219
Magazines, books and periodicals	340 871	564 310	340 871	564 310
Marketing	7 110 967	2 806 094	6 590 663	2 705 699
Motor vehicle expenses	10 804 068	10 710 763	10 804 068	10 710 763
Other expenses	52 534 408	69 772 694	54 232 538	76 430 228
Placement fees	81 543	19 154	-	-
Postage and courier	9 756 689	12 742 113	9 721 397	12 735 613
Printing and stationery	6 995 271	6 577 643	6 991 758	6 565 982
Promotions	2 747 420	1 892 415	1 441 577	1 515 232
License fees	4 957 854	4 377 876	4 957 854	4 377 876
Special events	27 095	23 708	27 095	23 708
Staff welfare	99 581	95 342	-	-
Subscriptions and membership fees	17 861 693	17 197 432	17 831 810	17 179 725
Telephone and fax	20 393 242	24 944 687	20 149 083	24 660 992
Title deed search fees	188 913	437 948	188 913	437 948
Training	22 655 123	24 460 993	22 286 103	24 165 091
Travel - local	16 499 783	10 432 798	15 492 959	9 709 926
Travel - overseas	455 436	173 219	455 436	173 219
Remuneration to WARD Committees	8 713 140	3 252 417	8 630 785	3 200 219
Utilities	97 382	76 409	-	-
Uniforms	16 626 480	21 888 115	15 575 331	21 764 540
	729 796 165	687 425 862	719 188 271	686 078 775

46. Fair value adjustments

Investment property (Fair value model)	8 867 100	15 348 500	8 867 100	15 348 500
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47. 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 BCMMDA is still heavily dependent on grant income, which is exempt for Income Tax purposes, with an assessed loss balance, therefore recognition of deferred tax in the current period would not necessarily be in line with the Accounting Standards. IAS 12 requires that there should be probability of the entity deriving taxable income which would reduce the deferred tax in future. Disclosed below therefore is unrecognised deferred tax asset in respect of both deductible temporary differences and tax losses. The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. The Minister of Finance announced on 27th February 2022 that the corporate tax rate would decrease from 28% to 27%, effective for years ended on or after 31 March 2023. 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	165 826	506 858	-	-
Unused tax losses not recognised as deferred tax assets	48 752 758	42 924 179	-	-
	48 918 584	43 431 037	-	-

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
48. Cash generated from operations				
Deficit	(285 000 221)	(366 544 231)	(268 009 765)	(367 193 975)
Adjustments for:				
Depreciation and amortisation	1 846 054 391	1 589 630 595	1 845 224 932	1 588 519 227
(Gain)/Loss on sale of assets	(430 933)	(528 642)	(409 343)	(470 508)
Loss/(income) from equity accounted investments	20 142 918	(29 868 763)	20 142 918	(29 868 763)
Fair value adjustments	(8 867 100)	(15 348 500)	(8 867 100)	(15 348 500)
Impairment deficit	26 356	3 005	-	-
Debt impairment	897 827 765	1 338 506 415	897 827 765	1 338 506 415
Movements in operating lease liabilities	20 947	(31 036)	-	-
Movements in retirement benefit assets and liabilities	(80 157 000)	67 661 000	(80 157 000)	67 661 000
Movements in provisions	(689 413)	58 124 970	(915 113)	51 951 584
Inventory losses or write-downs	161 416	488 477	138 990	502 895
Other non-cash items	(4 160 426)	(210 103 984)	(4 160 426)	(211 006 074)
Changes in working capital:				
Inventories	(6 798 041)	(7 603 951)	(6 798 027)	(7 603 951)
Receivables from exchange transactions	(821 203 417)	(1 091 925 388)	(831 187 282)	(1 086 958 572)
Receivables from non-exchange transactions	(363 578 488)	(370 327 341)	(363 578 488)	(370 327 341)
Prepayments	104 436	(6 832)	-	-
Trade payables from exchange transactions	293 747 740	29 365 618	280 103 311	38 382 768
Unspent conditional grants and receipts	(28 306 652)	16 481 431	(20 480 652)	9 606 898
Consumer deposits	3 823 064	5 567 318	3 823 064	5 567 318
	1 462 717 342	1 013 540 161	1 462 697 784	1 011 920 421

49. Operating leases - as lessee (expense)

Minimum lease payments due - Buildings

- within one year	3 409 826	4 639 361	1 944 539	3 949 167
- in second to fifth year inclusive	2 366 966	1 944 539	46 928	1 944 539
	5 776 792	6 583 900	1 991 467	5 893 706

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	2 813 587	2 012 812	2 752 362	2 001 187
- in second to fifth year inclusive	3 462 661	862 394	3 365 722	862 394
	6 276 248	2 875 206	6 118 084	2 863 581

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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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
50. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Community (including housing)	86 063 440	73 858 569	86 063 440	73 858 569
• Infrastructure	223 189 368	440 787 481	223 189 368	440 787 481
• Other	36 729 654	24 396 751	36 729 654	24 396 751
• Annual contracts	22 270 622	11 284 702	22 270 622	11 284 702
	368 253 084	550 327 503	368 253 084	550 327 503
Total capital commitments				
Already contracted for but not provided for	368 253 084	550 327 503	368 253 084	550 327 503
Authorised operational expenditure				
Already contracted for but not provided for				
• East London Beachfront Precinct Project - Court Crescent	2 187 906	8 425 196	-	-
• Upgrade of Water World	-	15 804 941	-	-
• Other	20 572 023	26 419 617	-	-
	22 759 929	50 649 754	-	-
Total operational commitments				
Already contracted for but not provided for	22 759 929	50 649 754	-	-

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

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

The above amounts exclude VAT.

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
51. 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.	117 659 371	96 055 823	116 583 944	96 055 823
Labour issues These are instances whereby labour disputes have resulted in possible claims by employees.	38 260 205	29 978 749	31 466 858	29 978 749
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.	61 250 083	58 714 260	61 250 083	58 714 260
Other matters These are disputed invoices in terms of the standing contract between BCMM and Vodacom. Both parties are engaging in terms of resolving the dispute.	66 502 509	-	66 502 509	-
Mvusuludzo Projects cc Mvusuludzo Projects was appointed to construct the WaterWorld Fun Park located at the Racing Track East London. Their contract was terminated due to non-performance and a dispute ensued as to validity of the invoice submitted in relation to works performed. An arbitration was embarked on this regard and an award was issued validating the termination. Parties were ordered to calculate amounts due which were not concluded at reporting date.				
		Amount can not be quantified due to outstanding assessments to be performed by affected parties.	-	-
	283 672 168	184 748 832	275 803 394	184 748 832

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

52. Related parties

Relationships	
Controlled entities	Buffalo City Metropolitan Development Agency SOC Ltd
Associates	Refer to note 7
Members of key management	Refer to note 35 and 36

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 R44 253 862 to BCMDA during the current financial year (2022: R42 146 535) (VAT exclusive).

BCMDA has trade receivables of R1 285 538 (2022: R38 969 561) (VAT inclusive) and trade payables of R6 397 352 (2022: R0) which relates to transactions with BCMM.

BCMM has trade receivables of R6 397 352 (2022: R0) which relates to transactions with BCMDA.

BCMM reimbursed BCMDA with an amount of R21 226 622 (2022: R83 219 181) (VAT exclusive) for the implementation of the BCMDA East London Beachfront and Water World Project.

BCMM reimbursed BCMDA with an amount of R12 314 415 (2022: R0) (VAT inclusive). These claims relate to the Public Employment Programme that is funded through the Neighbourhood Development Partnership Grant.

Agency fees amounting to R1 698 130 (2022: R6 657 534) (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 received European funding from the National Treasury GBS allocation. BCMM rolled out the Duncan Village Waste Buy Back Centre through BCMDA as the implementing agent. In the current year under review, an amount of R0 (2022: R14 471 816) (VAT exclusive) was transferred to BCMDA.

BCMM paid an amount of R2 865 080 (2022: R3 231 656) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2022/23 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	7
Audit and risk committee	Shared with parent municipality	3
Executive management	Agency management	6
Councillors	Shareholder representative	1

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

53. 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 2021

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			11 479 951 175	-	11 479 951 175
Various		a,b,c,d,e,f,g,j	-	(203 717 615)	(203 717 615)
			- 11 479 951 175	(203 717 615)	11 276 233 560

Summary of Statement of Financial Position

	Note	Error reference	As previously reported	Correction of error	Restated
Inventories	8		44 209 773	(1)	44 209 772
Receivables from non-exchange transactions	9	e,g	828 130 230	2 125 265	830 255 495
Receivables from exchange transactions	10	e,g,h	1 883 651 866	(38 314 587)	1 845 337 279
Prepayments	13		104 436	-	104 436
Cash and cash equivalents	12		697 456 815	-	697 456 815
Investment property	3		451 397 500	-	451 397 500
Property, plant and equipment	4	c,d	24 451 806 015	13 505 926	24 465 311 941
Intangible assets	5		10 846 857	-	10 846 857
Heritage assets	6		50 513 440	-	50 513 440
Investment in associate	7		706 317 270	-	706 317 270
Borrowings	18		(49 140 563)	-	(49 140 563)
Operating lease liability	15	-	(68 368)	-	(68 368)
Trade payables from exchange transactions	20	a,b,e,f,k	(1 346 605 018)	(238 176 459)	(1 584 781 477)
Consumer deposits	23		(79 793 423)	-	(79 793 423)
Employee benefit obligation	16		(29 148 000)	-	(29 148 000)
Unspent conditional grants	17		(283 485 342)	-	(283 485 342)
Provisions	19	m	(380 227 422)	803 705	(379 423 717)
Borrowings	18		(138 853 808)	-	(138 853 808)
Employee benefit obligation	16		(825 728 000)	-	(825 728 000)
Provisions	19	m	(112 622 698)	113 142	(112 509 556)
Revaluation reserve	14		(14 631 492 136)	(77 637 100)	(14 709 129 236)
Accumulated surplus		c,d	(11 247 269 424)	337 580 109	(10 909 689 315)
			-	-	-

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2023	2022 *Restated	2023	2022 *Restated		
53. Prior-year adjustments (continued)						
Detail of Statement of Financial Position	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Inventories - Electricity store (Electrical maintenance parts)	8	j	8 172 313	-	9 272 200	17 444 513
Inventories - Workshop store (Mechanical maintenance parts)	8	j	433 534	-	(9 552)	423 982
Inventories - Water store (Water maintenance parts)	8	j	2 668 306	-	5 868 462	8 536 768
Inventories - Unsold water (Treated water in pipelines & reservoirs)	8	j	13 493 759	-	(6 030 659)	7 463 100
Inventories - General stores (Chiselhurst, Mdantsane, KWT)	8	j	19 930 338	-	(9 100 452)	10 829 886
Receivables from non-exchange transactions - Other receivables (billing) - Gross	9	g	258 698 310	(485 215)	-	258 213 095
Receivables from non-exchange transactions - Other receivables (billing) - Impairment	9	e,j	-	5 644 923	(114 608 086)	(108 963 163)
Receivables from non-exchange transactions - Traffic fines - Impairment	9	j	-	-	(230 525 193)	(230 525 193)
Receivables from non-exchange transactions - Property rates - Gross	9	g	1 281 612 169	2 464 305	-	1 284 076 474
Receivables from non-exchange transactions - Property rates - Impairment	9	e	(1 007 720 230)	103 103	339 531 428	(668 085 699)
Receivables from exchange transactions - Electricity - Gross	10	g	886 531 402	(2 277 264)	-	884 254 138
Receivables from exchange transactions - Electricity - Impairment	10	e	(579 445 974)	2 602 024	-	(576 843 950)
Receivables from exchange transactions - Water - Gross	10	g	2 136 005 178	(51 508 021)	-	2 084 497 157
Receivables from exchange transactions - Water - Impairment	10	e	(1 543 828 537)	12 764 994	-	(1 531 063 543)
Receivables from exchange transactions - Waste water - Gross	10	g,i	552 018 170	(263 097)	-	551 755 073
Receivables from exchange transactions - Waste water - Impairment	10	e	(341 989 516)	68 283	-	(341 921 233)
Receivables from exchange transactions - Refuse - Gross	10	g	656 493 959	393 021	-	656 886 980
Receivables from exchange transactions - Refuse - Impairment	10	e	(387 891 351)	58 208	-	(387 833 143)
Receivables from exchange transactions - Rental debtors - Gross	10	h	85 079 713	(43 869 947)	-	41 209 766
Receivables from exchange transactions - Rental debtors - Impairment	10	h	(68 071 545)	36 459 355	5 601 851	(26 010 339)
Receivables from exchange transactions - VAT Accrual	10	e	102 297 928	(56 837)	-	102 241 091
Receivables from exchange transactions - VAT Control	10	h	32 731 364	1 712 843	-	34 444 207
Property, plant and equipment - Work in progress	4	c,d	4 665 269 576	(545 260 704)	-	4 120 008 872
Property, plant and equipment - Furniture and fixtures	4	d	114 178 100	736 976	-	114 915 076
Property, plant and equipment - Plant and machinery	4	d	54 384 557	142 212	-	54 526 769
Property, plant and equipment - Recreational facilities	4	d	281 069 522	639 778	-	281 709 300
Property, plant and equipment - Electricity infrastructure	4	d	4 379 684 957	5 285 848	-	4 384 970 805
Property, plant and equipment - Other property (halls, social housing)	4	d	1 557 271 245	12 956 224	-	1 570 227 469
Property, plant and equipment - Community buildings	4	d	1 168 016 178	55 723 948	-	1 223 740 126
Property, plant and equipment - Roads	4	d	6 170 745 052	200 272 481	-	6 371 017 533
Property, plant and equipment - Water network	4	d	3 507 232 331	76 578 597	-	3 583 810 928
Property, plant and equipment - Wastewater network	4	d	2 167 683 596	206 430 565	-	2 374 114 161

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Figures in Rand	Economic entity		Controlling entity			
	2023	2022 *Restated	2023	2022 *Restated		
53. Prior-year adjustments (continued)						
Provisions - Retentions	19	m	(13 539 729)	113 142	-	(13 426 587)
Bonus provision	19	m	(61 745 776)	803 705	-	(60 942 071)
Trade payables from exchange transactions - Trade payables	20	j	(697 796 061)	(13 490 465)	-	(711 286 526)
Trade payables from exchange transactions - Retention monies	20	f	(71 709 723)	342 642	-	(71 367 081)
Trade payables from exchange transactions - Deposits received	20		(8 453 840)	1 935 894	-	(6 517 946)
Trade payables from exchange transactions - Payments received in advanced	20		(194 561 464)	(230 766 556)	-	(425 328 020)
Trade payables from exchange transactions - Other creditors	20	a,b,k	(99 647 191)	(7 300 490)	-	(106 947 681)
Trade payables from exchange transactions - VAT accrual	20	e	(143 066 627)	11 102 516	-	(131 964 111)
Revaluation reserve			(14 631 492 136)	(77 637 100)	-	(14 709 129 236)
Accumulated surplus			(11 247 269 424)	337 580 109	-	(10 909 689 315)

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Figures in Rand	Economic entity		Controlling entity			
	2023	2022 *Restated	2023	2022 *Restated		
53. Prior-year adjustments (continued)						
Statement of financial performance						
Summary of Statement of Financial Performance	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	25	g,i	(4 312 992 772)	108 389 477	-	(4 204 603 295)
Rental of facilities and equipment	26		(21 116 429)	689 453	-	(20 426 976)
Other revenue (exchange)	28	i,j	(89 960 049)	235	23 878 654	(66 081 160)
Interest received	29	g,i,j	(154 468 720)	1 915 645	-	(152 553 075)
Agency fees	27		-	-	(23 878 654)	(23 878 654)
Property rates	30	g	(1 733 914 159)	35 245 050	-	(1 698 669 109)
Licences and Permits (non-exchange)	31		(12 127 953)	13 002	-	(12 114 951)
Interest (non-exchange)	32	g,i	(55 177 577)	872 739	-	(54 304 838)
Government grants and subsidies	33		(1 729 702 487)	-	-	(1 729 702 487)
Other revenue (non-exchange)	34	g	(82 193 719)	(69 221)	-	(82 262 940)
Public contributions and donations	24		(2 293 545)	-	-	(2 293 545)
Fines	24		(12 407 778)	-	-	(12 407 778)
Fuel levy	24		(652 199 000)	-	-	(652 199 000)
Employee related cost	35	a	2 533 862 564	2 084 256	-	2 535 946 820
Remuneration of councillors	36	b	67 340 030	1 813 236	-	69 153 266
Depreciation and amortisation	37	d	1 569 794 105	19 836 490	-	1 589 630 595
Finance cost	38		20 684 494	-	-	20 684 494
Debt Impairment	40	e	1 385 422 099	(46 915 684)	-	1 338 506 415
Repairs and maintenance	42	c	401 398 722	10 857 214	-	412 255 936
Bulk purchases	41		2 169 309 617	-	-	2 169 309 617
Contracted services	43		225 419 240	3 686 188	-	229 105 428
Grants and subsidies paid	44	k	70 459 423	821 612	-	71 281 035
General expenses	45		692 803 059	(5 377 198)	-	687 425 861
Gain/(Loss) on disposal of assets			(528 642)	-	-	(528 642)
Fair value adjustments	46		(15 348 500)	-	-	(15 348 500)
Share of surplus of associate			(29 868 763)	-	-	(29 868 763)
Inventories losses/write-downs			488 477	-	-	488 477
Deficit for the year			- 232 681 737	133 862 494	-	366 544 231

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2023	2022 *Restated	2023	2022 *Restated		
53. Prior-year adjustments (continued)						
Detail of Statement of Financial Performance	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges - Other service charges	25	g	(112 732 892)	393 132	-	(112 339 760)
Service charges - Refuse removal	25	g	(388 555 132)	1 642 862	-	(386 912 270)
Service charges - Sale of electricity	25	g	(2 103 951 344)	31 750 390	-	(2 072 200 954)
Service charges - Sale of water	25	g	(1 271 864 255)	74 394 262	-	(1 197 469 993)
Service charges - Sewerage and sanitation charges - Non Pans	25	g	(360 934 063)	2 339 312	-	(358 594 751)
Service charges - Income forgone	25	i	2 455 819	(2 130 481)	-	325 338
Interest received - Interest charged on trade and other receivables	29	g	(121 383 153)	1 915 645	-	(119 467 508)
Other revenue - (exchange) - Sundry income	28	g	(3 769 419)	236	-	(3 769 183)
Rental of facilities and equipment	26	i	(21 116 429)	689 453	-	(20 426 976)
Property rates - Agricultural	30	g	(10 353 122)	109 464	-	(10 243 658)
Property rates - Commercial	30	g	(700 055 356)	12 142 375	-	(687 912 981)
Property rates - Industrial	30	g	(146 882 220)	558 303	-	(146 323 917)
Property rates - Public Benefit Organisation	30	g	(973 244)	86 206	-	(887 038)
Property rates - Public Service Purpose	30	g	(108 818 541)	23 362 193	-	(85 456 348)
Property rates - Residential	30	g	(739 978 131)	(680 485)	-	(740 658 616)
Property rates - Vacant land	30	g	(84 576 379)	(333 006)	-	(84 909 385)
Interest (non-exchange) - Interest receivables	32	g	(55 177 577)	872 739	-	(54 304 838)
Licences and permits (non-exchange) - Dog	31	g	(885 921)	13 002	-	(872 919)
Other revenue - (non-exchange) - Fire levy	34	i	(82 373 086)	110 814	-	(82 262 272)
Other revenue - (non-exchange) - Fire levy - Income forgone	34	i	179 367	(180 035)	-	(668)
Employee related costs - Basic emoluments	35	a	1 531 938 101	1 517 440	-	1 533 455 541
Employee related costs - Pension fund contributions	35	a	288 549 362	270 668	-	288 820 030
Employee related costs - Housing benefits and allowances	35	a	10 987 508	296 148	-	11 283 656
Remuneration of councillors - Councillors housing subsidy	36	b	10 333 065	644 111	-	10 977 176
Remuneration of councillors - Councillors pension contribution	36	b	3 523 615	93 647	-	3 617 262
Remuneration of councillors - Councillors salaries	36	b	27 719 592	974 418	-	28 694 010
Remuneration of councillors - Deputy Executive Mayor	36	b	646 442	3 260	-	649 702
Remuneration of councillors - Chief Whip	36	b	608 938	3 260	-	612 198
Remuneration of councillors - Executive Mayor	36	b	816 205	9 467	-	825 672
Remuneration of councillors - Mayoral Committee Members	36	b	6 101 685	75 607	-	6 177 292
Remuneration of councillors - Speaker	36	b	646 442	9 466	-	655 908
Grants and subsidies paid - Other Organisations	44	k	3 707 293	358 678	-	4 065 971
Grants and subsidies paid - Rural development	44	j	2 596 765	-	462 934	3 059 699
Repairs and maintenance - Other assets	42	c	27 965 498	9 629 136	-	37 594 634
Depreciation and amortisation - PPE	37	d	1 567 376 204	19 836 490	-	1 587 212 694
Debt Impairment	40	e	1 385 422 099	(46 915 684)	-	1 338 506 415
General expenses - License fees	45		4 014 398	363 478	-	4 377 876
General expenses - Lease rentals on operating lease	45	j	58 681 736	-	(5 277 743)	53 403 993
General expenses - Special events	45	j	486 642	-	(462 934)	23 708
Contracted services - Outsourced services - Business and Advisory	43	j	-	-	1 632 946	1 632 946
Contracted services - Litter Picking and Street Cleaning	43	j	15 639 948	-	(15 639 948)	-
Contracted services - Outsourced services - Personnel and Labour	43	j	35 256 202	-	13 869 002	49 125 204
Contracted services - Contractors - Building	43	j	2 290 630	-	1 770 947	4 061 577
Contracted services - Consultants and professional services - Business and Advisory	43	j	35 068 226	(363 477)	3 644 796	38 349 545
Deficit for the year			-	133 862 494		

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2023	2022 *Restated	2023	2022 *Restated	
53. Prior-year adjustments (continued)					
Cash flow statement					
	Note	Error reference	As previously reported	Correction of error	Restated
Cash flow from operating activities					
Sale of goods and services	I		5 373 847 671	(61 162 992)	5 312 684 679
Government grants and subsidies			1 746 183 918	-	1 746 183 918
Interest income	I		209 646 297	(2 788 384)	206 857 913
Employee costs & Councillors remuneration	I		(2 533 323 499)	(4 814 339)	(2 538 137 838)
Suppliers	I		(3 711 448 686)	18 084 669	(3 693 364 017)
Finance costs			(20 684 494)	-	(20 684 494)
			- 1 064 221 207	(50 681 046)	1 013 540 161
Cash flow from investing activities					
Purchase of property, plant and equipment	I		(1 468 106 107)	50 681 047	(1 417 425 060)
Proceeds from sale of property, plant and equipment			1 380 041	-	1 380 041
Purchase of intangible assets			(255 048)	-	(255 048)
			- (1 466 981 114)	50 681 047	(1 416 300 067)
Cash flow from financing activities					
Repayment of borrowings			(45 190 556)	-	(45 190 556)
	Note		As previously reported	Correction of error	Restated
Other disclosure items					
Commitments	50		386 742 169	163 585 334	550 327 503

Explanations of errors

- a) The error is in respect of results of the Job Evaluation process which was undertaken by BCMM with the calculations backdated from 1 July 2015 and payment done in the 2022/23 Financial year.
- b) The error relates to increases for Councillors with effect from 01 July 2021 as per the Government Gazette 46470 of June 2022, with payment done in the 2022/23 Financial year.
- c) Expenditure incurred relate to projects that were done in the capital votes that have been assessed and identified to be maintenance and will not be increasing the value of our assets.
- d) Adjustment relate to the capitalisation of assets that were completed in the previous financial year and the depreciation effect.
- e) During the 2023 financial year consumer accounts were adjusted which related to the prior period. Those adjustments were posted to the prior period and therefor the opening balance on debt impairment relating to the applicable consumer accounts also had to be adjusted in the prior period.
- f) Write back of retention as contract was terminated and retention withheld.
- g) Alignment of Revenue to Prior period/s. Journal adjustments were processed to customer accounts in 2022 2023, intended for prior periods.
- h) Reversal of leases revenue in the ledger as revenue was raised through the billing sub-ledger
- i) Correction of Revenue foregone votes to prior period. The transactions were posted in the Billing sub-ledger in July 2022 and had to be transferred to Prior period.
- j) Amount paid in current year to Amatola Water for debt not previously recognised in prior years.
- k) Payment made to BCMDA relating to prior year

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

53. Prior-year adjustments (continued)

l) Cash flow effect of all prior period adjustments.

j) The population was revisited and corrected to clear any misstatements identified.

m) In the prior year, errors occurred in relation to Provision - Retentions as well as Provision - Performance Bonus. Firstly, the provision liability was overstated by an amount of R113 142, this was due to the Agency miscalculating the retention held on the Braai Facilities - Ebuhlanti project. This required an adjusting entry to be passed in the prior period to correctly disclose the retentions in the prior year. Lastly the Agency had not reversed the provision for performance bonus for prior years, the nonreversal amounted to R803 705. This error was identified by management in the current financial year.

54. Comparative figures

Certain comparative figures have been reclassified. Refer to note 53 Prior year adjustments for detail

55. 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 economic entity'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.

Credit risk

Credit risk consists mainly of cash deposits (refer note 12), deteriorating audit outcomes, low collection rates and trade debtors (refer note 9, 10 and 11). The 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	
	2023	2022 *Restated	2023	2022 *Restated

55. Risk management (continued)

Market risk

Interest rate risk

The entity has no significant interest-bearing assets, the entity'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	14.25 %	2 962 546 914	-	-	-	-
Cash in current banking institutions	7.06 %	133 546 912	-	-	-	-
Call Investments deposits	7.06 %	546 334 028	-	-	-	-
Trade and other payables - extended credit terms	7.75 %	1 211 883 224	-	-	-	-
Long term borrowings	8.35 %	30 246 178	28 813 896	25 085 847	20 829 396	33 878 491

Sensitivity Analysis of Market Risk

Effect of a 1% change in the interest rate	Current interest rate	Value as at 30 June 2023	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables - normal credit terms	14.25 %	2 962 546 914	2 593 038 874	2 615 935 465	2 570 539 622
Cash in current banking institutions	7.06 %	133 546 912	124 740 250	125 916 379	123 585 889
Call Investments deposits	7.06 %	546 334 028	510 306 396	515 117 884	505 583 961
Trade and other payables - extended credit terms	7.75 %	1 211 883 224	1 124 717 609	1 135 253 606	1 114 375 378
Short term borrowings	8.35 %	50 157 564	46 292 168	46 723 395	45 868 829
Long term borrowings	8.35 %	88 696 244	81 860 862	82 623 422	81 112 249

The sensitivity analysis was based on the assumption that a 1% increase or decrease in the interest rate could occur.

The method used to prepare the sensitivity analysis was based on the discounted value of the respective cash flow for 1 year using the respective current interest rate in order to determine the effect of applicable market risk of a 1% increase or decrease in the interest rate.

Capital risk management

The 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.

56. 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.

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

57. Events after the reporting date

There are no events after reporting date to be disclosed

58. Unauthorised expenditure

Opening balance as previously reported	163 702 130	-	163 702 130	-
Add: Unauthorised expenditure - current	-	163 702 130	-	163 702 130
Less: Expenditure authorised in terms of section 32 of the MFMA	(163 702 130)	-	(163 702 130)	-
Closing balance	-	163 702 130	-	163 702 130
Non-cash	-	163 702 130	-	163 702 130
Analysed as follows: non-cash				
Debt impairment	-	163 702 130	-	163 702 130

The 2023 unauthorised expenditure:

There is no unauthorised expenditure reported for 2022/2023 financial year.

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

The 2022 unauthorised expenditure:

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

The unauthorised expenditure per directorate in 2021/2022 can mainly be attributed to depreciation, debt impairment and contracted services (legal costs).

There was no unauthorised expenditure regarding the total budgeted amount.

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
59. Fruitless and wasteful expenditure				
Opening balance as previously reported	11 239 831	10 852 831	10 731 676	10 731 676
Add: Fruitless and wasteful expenditure identified - current	65 877	6 819	53 713	-
Add: Fruitless and wasteful expenditure identified - prior period	-	387 000	-	-
Less: Amount recovered - current	(65 860)	(6 819)	(53 713)	-
Closing balance	11 239 848	11 239 831	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 progress regarding 21 (2022: 21) which relate to interest on late payments and negligence.

Amount recoverable

There are no recoverable amounts.

Amount written-off

There are no amounts written off.

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
60. Irregular expenditure				
Opening balance as previously reported	9 216 993 440	3 085 212 548	9 216 993 440	3 084 813 818
Opening balance as restated	9 216 993 440	3 085 212 548	9 216 993 440	3 084 813 818
Add: Irregular Expenditure - current	1 839 725 316	1 529 971 015	1 813 453 871	1 442 386 188
Add: Irregular Expenditure - prior period	-	4 689 793 434	-	4 689 793 434
Less: Amount written off - current	-	(87 983 557)	-	-
Closing balance	11 056 718 756	9 216 993 440	11 030 447 311	9 216 993 440
Analysis of expenditure awaiting write-off per age classification				
Prior years (Opening balance)	9 216 993 440	3 085 212 548	9 216 993 440	3 084 813 818
Current year	1 839 725 316	1 529 971 015	1 813 453 871	1 442 386 188
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)	-	-
	11 056 718 756	9 216 993 440	11 030 447 311	9 216 993 440
Details of irregular expenditure				
Procurement made outside SCM regulations	1 703 151 316	1 347 461 568	1 703 151 316	1 347 461 568
Bid Construction Contracts (BCC)	23 287 237	16 775 532	23 287 237	16 775 532
Annual contracts	51 527 110	54 927 993	51 527 110	54 927 993
Informal contracts	9 402 801	197 495	9 402 801	197 495
Formal contracts	-	94 685	-	94 685
3 Quotation System	903 975	39 600	903 975	39 600
Services of the state - Section 44 - Not-declared state employees	192 498	-	192 498	-
Expired leases	24 988 934	22 889 315	24 988 934	22 889 315
Bid Adjudication Committee - BCMDA	26 271 445	87 584 827	-	-
	1 839 725 316	1 529 971 015	1 813 453 871	1 442 386 188
61. In-kind donations and assistance				
FELZOO donated assistance to BCMM	10 690	17 819	10 690	17 819
FELA donated assistance to BCMM	3 600	3 600	3 600	3 600
Nahoon Point Nature Reserve	48 154	54 047	48 154	54 047
	62 444	75 466	62 444	75 466
The nature of the above In-kind donations and assistance amounts are ad-hoc cash donations which are non-exchange transactions.				
62. Additional disclosure in terms of Municipal Finance Management Act				
Contributions to organised local government				
Current year subscription / fee	17 237 606	16 378 276	17 237 606	16 378 276
Amount paid - current year	(17 237 606)	(16 378 276)	(17 237 606)	(16 378 276)
	-	-	-	-
Contributions to SA Cities Network				
Add: Losses identified - prior period	5 024 900	4 627 270	5 024 900	4 627 270
Less: Amounts recovered - current	(5 024 900)	(4 627 270)	(5 024 900)	(4 627 270)
	-	-	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

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

Audit fees

Current year subscription / fee	25 752 648	23 294 389	24 863 782	22 321 276
Amount paid - current year	(25 752 648)	(23 294 389)	(24 863 782)	(22 321 276)
	-	-	-	-

PAYE, UIF and Skills Development Levy

Opening balance	589 580	603 189	-	-
Current year subscription / fee	432 552 216	426 434 435	422 027 857	420 351 584
Amount paid - current year	(432 073 665)	(426 448 044)	(422 027 857)	(420 351 584)
	1 068 131	589 580	-	-

Amounts in respect of June 2023 were paid by the 7 July 2023 as per legislation, therefore there were no outstanding amounts for the financial year 2022/23.

Pension and Medical Aid Deductions

Opening balance	134 818	117 794	-	-
Current year subscription / fee	625 116 904	618 570 299	623 067 562	616 778 826
Amount paid - current year	(625 114 868)	(618 553 275)	(623 067 562)	(616 778 826)
	136 854	134 818	-	-

Amounts in respect of June 2023 were paid by the 7 July 2023 as per legislation, therefore there were no outstanding amounts for the financial year 2022/23.

VAT

VAT receivable	104 993 597	4 721 187	104 398 852	3 952 075
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VAT output payables and VAT input receivables are shown in note 21.

All VAT returns have been submitted by the due date throughout the year. VAT is only declared to SARS on receipt of payment from consumers and claimed on payment to suppliers.

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

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

Councillors' arrear consumer accounts

Arrear Councillors accounts totalling R50 388 were outstanding for more than 90 days at 30 June 2023 (2022 R155 661) 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 2023	Outstanding more than 90 days R	Total R
Councillor M.L. Nyusile	12 454	12 454
Councillor N. Maxongo	37 934	37 934
	50 388	50 388

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

At year end, officials accounts totalling R9 308 126 (2022: R8 713 371) were outstanding for more than 90 days.

63. Deviation from supply chain management regulations

Regulation 36 of the MFMA on Supply Chain Management (SCM) Regulations and clause 36 of the SCM Policy of 2012 states that a SCM Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the audited consolidated annual financial statements.

During the financial year under review goods/services totalling R178 745 187 (2022: R200 056 052) were procured and the process followed in procuring those goods/services deviated from the provisions of the regulations as stated above. The accounting officer approved the deviations from the normal SCM regulations.

Type of contract	No of contracts Economic entity	Value of contracts Economic entity	No of contracts Controlling entity	Value of contracts Controlling entity
Emergency	7	4 530 310	7	4 530 310
Sole supplier	15	84 544 628	15	84 544 628
Other exceptional cases	17	89 670 249	12	86 007 839
	39	178 745 187	34	175 082 777

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Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

64. Segment information

General information

Identification of segments

The economic entity is organised and reports to management on the basis of 5 major functional areas : Community and public safety, Economic and environmental services, Municipal governance and administration, Trading services and Other. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The economic entity operates throughout the Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community and Public Safety	Service or activity that is performed by the Metro for the benefit of the public or its institutions.
Economic and Environmental Services	Helps the Metro to make better decisions by identifying resources, understanding the needs of the public and formulate plans to make the local economy fully functional and investor friendly.
Municipal Governance and Administration	Management, cohesive policies, guidance, processes and decision-rights
Trading Services	Providing a service to customers at a tariff determined to "recover cost".
Other	Tourism promotion & development and Operations of fresh produce market.

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

64. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Economic entity 2023

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	673 674	3 765 640 957	-	3 766 314 631
Rental of facilities and equipment	2 391 351	1 696 625	17 976 042	-	2 436 911	24 500 929
Agency fees	21 870 747	-	-	-	-	21 870 747
Other revenue (exchange)	12 777 554	12 028 390	16 547 050	4 553 905	29 423 592	75 330 491
Interest received	-	1 117 008	261 622 031	-	-	262 739 039
Property rates	-	-	1 791 370 242	-	-	1 791 370 242
Licences and permits (non-exchange)	11 998 963	-	-	-	217 073	12 216 036
Interest (non-exchange)	-	-	85 675 639	-	-	85 675 639
Government grants and subsidies	336 910 354	290 655 217	489 095 972	788 210 742	31 301 252	1 936 173 537
Other revenue (non-exchange)	82 451 262	-	-	-	-	82 451 262
Public contributions and donations	1 085 056	-	-	3 075 369	-	4 160 425
Fines	6 973 578	-	-	-	-	6 973 578
Fuel levy	-	-	719 203 000	-	-	719 203 000
Total segment revenue	476 458 865	305 497 240	3 382 163 650	4 561 480 973	63 378 828	8 788 979 556

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

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64. Segment information (continued)

Expenditure

Employee related cost	(880 398 587)	(234 708 904)	(616 682 319)	(699 344 132)	(45 025 071)	(2 476 159 013)
Remuneration of councillors	-	(2 470 523)	(66 749 188)	-	-	(69 219 711)
Depreciation and amortisation	(109 498 097)	(911 060 483)	(178 710 566)	(646 785 245)	-	(1 846 054 391)
Finance cost	(1 344 795)	(4 669 103)	(1 356 221)	(8 305 074)	(399 867)	(16 075 060)
Debt impairment	(82 512 887)	-	(519 856 473)	(295 458 405)	-	(897 827 765)
Repairs and maintenance	(36 961 520)	(129 590 241)	(36 149 688)	(241 116 265)	(1 490 547)	(445 308 261)
Bulk purchases	-	-	-	(2 206 834 982)	-	(2 206 834 982)
Contracted services	(38 273 145)	(27 833 692)	(107 660 438)	(99 780 402)	(10 168 609)	(283 716 286)
Grants and subsidies paid	(11 212 936)	-	(55 591 479)	(20 969 248)	(4 181 822)	(91 955 485)
General expenses	(112 275 903)	(42 883 937)	(315 763 363)	(237 917 519)	(20 955 444)	(729 796 166)
Loss on disposal of assets	-	21 590	409 343	-	-	430 933
Fair value adjustments	-	-	8 867 100	-	-	8 867 100
Share of surplus/(deficit) of associate	-	-	(20 142 918)	-	-	(20 142 918)
Inventory losses/write-downs	-	(22 426)	(138 990)	-	-	(161 416)
Impairment loss	-	(26 356)	-	-	-	(26 356)
Total segment expenditure	(1 272 477 870)	(1 353 244 075)	(1 909 525 200)	(4 456 511 272)	(82 221 360)	(9 073 979 777)
Total segmental surplus/(deficit)	(796 019 005)	(1 047 746 835)	1 472 638 450	104 969 701	(18 842 532)	(285 000 221)
Total Revenue as per Statement of Financial Performance						8 788 979 556
Total Expenditure as per Statement of Financial Performance						(9 062 947 120)
Other items as per Statement of Financial Performance						(11 032 657)
Economic entity's (deficit) for the period						(285 000 221)

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

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64. Segment information (continued)

Economic entity 2022

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	60 947 360	4 143 655 935	-	4 204 603 295
Rental of facilities and equipment	2 141 290	1 267 506	14 131 675	-	2 886 505	20 426 976
Agency fees	23 878 654	-	-	-	-	23 878 654
Other revenue (exchange)	12 118 593	13 321 777	8 950 945	6 276 009	25 413 836	66 081 160
Interest received	-	721 782	151 831 293	-	-	152 553 075
Property rates	-	-	1 698 669 109	-	-	1 698 669 109
Licences and permits (non-exchange)	11 871 474	-	-	-	243 477	12 114 951
Interest (non-exchange)	-	-	54 304 838	-	-	54 304 838
Government grants and subsidies	303 414 510	224 424 268	433 711 203	732 407 262	35 745 244	1 729 702 487
Other revenue (non-exchange)	82 262 940	-	-	-	-	82 262 940
Public contributions and donations	2 293 545	-	-	-	-	2 293 545
Fines	12 407 778	-	-	-	-	12 407 778
Fuel levy	-	-	652 199 000	-	-	652 199 000
Total segment revenue	450 388 784	239 735 333	3 074 745 423	4 882 339 206	64 289 062	8 711 497 808

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

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64. Segment information (continued)

Expenditure

Employee related cost	(865 778 904)	(208 537 236)	(733 184 161)	(683 663 434)	(44 783 085)	(2 535 946 820)
Remuneration of councillors	-	(2 657 361)	(66 495 905)	-	-	(69 153 266)
Depreciation and amortisation	(93 920 127)	(771 276 591)	(152 642 788)	(571 383 451)	(407 638)	(1 589 630 595)
Finance cost	(1 334 296)	(6 117 988)	(1 566 445)	(11 259 890)	(405 875)	(20 684 494)
Debt impairment	(72 604 045)	-	(516 279 280)	(749 623 090)	-	(1 338 506 415)
Repairs and maintenance	(28 521 575)	(123 774 108)	(27 628 362)	(230 695 895)	(1 635 996)	(412 255 936)
Bulk purchases	-	-	-	(2 169 309 617)	-	(2 169 309 617)
Contracted services	(20 748 323)	(24 216 604)	(98 013 761)	(81 249 516)	(4 877 224)	(229 105 428)
Grants and subsidies paid	(11 362 676)	-	(55 339 228)	(501 351)	(4 077 780)	(71 281 035)
General expenses	(118 529 483)	(35 524 164)	(320 875 939)	(194 183 970)	(18 312 305)	(687 425 861)
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	(1 212 818 881)	(1 172 031 500)	(1 926 393 342)	(4 692 298 413)	(74 499 903)	(9 078 042 039)
Total segmental surplus/(deficit)	(762 430 097)	(932 296 167)	1 148 352 081	190 040 793	(10 210 841)	(366 544 231)
Total Revenue as per Statement of Financial Performance						8 711 497 808
Total Expenditure as per Statement of Financial Performance						(9 123 299 467)
Other items as per Statement of Financial Performance						45 257 428
Economic entity's (deficit) for the period						(366 544 231)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

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64. Segment information (continued)

Controlling entity 2023

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	673 674	3 765 640 956	-	3 766 314 630
Rental of facilities and equipment	2 391 351	1 696 625	17 976 042	-	2 436 911	24 500 929
Agency fees	21 870 747	-	-	-	-	21 870 747
Other revenue (exchange)	12 777 557	11 693 083	16 547 046	4 553 905	29 423 593	74 995 184
Interest received	-	-	261 622 032	-	-	261 622 032
Property rates	-	-	1 791 370 242	-	-	1 791 370 242
Licences and permits (non-exchange)	11 998 963	-	-	-	217 073	12 216 036
Interest (non-exchange)	-	-	85 675 639	-	-	85 675 639
Government grants and subsidies	336 910 354	279 521 834	489 095 969	788 210 742	31 301 254	1 925 040 153
Other revenue (non-exchange)	82 451 262	-	-	-	-	82 451 262
Public contributions and donations	1 085 056	-	-	3 075 369	-	4 160 425
Fines	6 973 578	-	-	-	-	6 973 578
Fuel levy	-	-	719 203 000	-	-	719 203 000
Total segment revenue	476 458 868	292 911 542	3 382 163 644	4 561 480 972	63 378 831	8 776 393 857

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Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

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64. Segment information (continued)

Expenditure

Employee related cost	(880 398 587)	(190 571 142)	(616 682 307)	(699 344 132)	(45 025 083)	(2 432 021 251)
Remuneration of councillors	-	-	(66 749 188)	-	-	(66 749 188)
Depreciation and amortisation	(109 498 097)	(910 231 024)	(178 710 566)	(646 785 245)	-	(1 845 224 932)
Finance cost	(1 344 795)	(4 668 920)	(1 356 220)	(8 305 075)	(399 867)	(16 074 877)
Debt impairment	(82 512 887)	-	(519 856 473)	(295 458 405)	-	(897 827 765)
Repairs and maintenance	(36 961 520)	(128 914 502)	(36 149 683)	(241 116 265)	(1 490 552)	(444 632 522)
Bulk purchases	-	-	-	(2 206 834 982)	-	(2 206 834 982)
Contracted services	(38 273 145)	(11 466 890)	(107 660 432)	(99 780 402)	(10 168 615)	(267 349 484)
Grants and subsidies paid	(11 212 936)	-	(55 591 478)	(20 969 248)	(49 721 222)	(137 494 884)
General expenses	(112 275 903)	(30 577 915)	(315 763 361)	(237 917 519)	(22 653 574)	(719 188 272)
Loss on disposal of assets	-	-	409 343	-	-	409 343
Fair value adjustments	-	-	8 867 100	-	-	8 867 100
Share of surplus/(deficit) of associate	-	-	(20 142 918)	-	-	(20 142 918)
Inventory losses/write-downs	-	-	(138 990)	-	-	(138 990)
Total segment expenditure	(1 272 477 870)	(1 276 430 393)	(1 909 525 173)	(4 456 511 273)	(129 458 913)	(9 044 403 622)
Total segmental surplus/(deficit)	(796 019 002)	(983 518 851)	1 472 638 471	104 969 699	(66 080 082)	(268 009 765)
Total Revenue as per Statement of Financial Performance						8 776 393 857
Total Expenditure as per Statement of Financial Performance						(9 033 398 157)
Other items as per Statement of Financial Performance						(11 005 465)
Controlling entity's (deficit) for the period						(268 009 765)

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

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64. Segment information (continued)

Controlling entity 2022

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	60 947 361	4 143 655 934	-	4 204 603 295
Rental of facilities and equipment	2 141 290	1 267 506	14 131 675	-	2 886 505	20 426 976
Agency fees	23 878 654	-	-	-	-	23 878 654
Other revenue (exchange)	12 118 593	13 178 290	8 950 948	6 276 009	25 413 833	65 937 673
Interest received	-	-	151 831 293	-	-	151 831 293
Property rates	-	-	1 698 669 109	-	-	1 698 669 109
Licences and permits (non-exchange)	11 871 474	-	-	-	243 477	12 114 951
Interest (non-exchange)	-	-	54 304 838	-	-	54 304 838
Government grants and subsidies	303 414 510	219 555 614	433 711 202	732 407 262	50 217 062	1 739 305 650
Other revenue (non-exchange)	82 262 940	-	-	-	-	82 262 940
Public contributions and donations	2 293 545	-	-	-	-	2 293 545
Fines	12 407 778	-	-	-	-	12 407 778
Fuel levy	-	-	652 199 000	-	-	652 199 000
Total segment revenue	450 388 784	234 001 410	3 074 745 426	4 882 339 205	78 760 877	8 720 235 702

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

64. Segment information (continued)

Expenditure

Employee related cost	(865 778 904)	(184 971 478)	(733 184 171)	(683 663 434)	(44 783 073)	(2 512 381 060)
Remuneration of councillors	-	-	(66 495 905)	-	-	(66 495 905)
Depreciation and amortisation	(93 920 127)	(770 165 223)	(152 642 796)	(571 383 451)	(407 630)	(1 588 519 227)
Finance cost	(1 334 296)	(6 117 987)	(1 566 445)	(11 259 890)	(405 875)	(20 684 493)
Debt impairment	(72 604 045)	-	(516 279 280)	(749 623 090)	-	(1 338 506 415)
Repairs and maintenance	(28 521 575)	(122 537 160)	(27 628 362)	(230 695 895)	(1 635 996)	(411 018 988)
Bulk purchases	-	-	-	(2 169 309 617)	-	(2 169 309 617)
Contracted services	(20 748 323)	(6 831 864)	(98 013 759)	(81 249 516)	(4 877 226)	(211 720 688)
Grants and subsidies paid	(11 362 676)	-	(55 339 228)	(501 351)	(60 233 197)	(127 436 452)
General expenses	(118 529 483)	(27 519 543)	(320 875 937)	(194 183 970)	(25 432 775)	(686 541 708)
Loss on disposal of assets	(19 452)	-	918 159	(428 199)	-	470 508
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	-	-	(502 895)	-	-	(502 895)
Total segment expenditure	(1 212 818 881)	(1 118 143 255)	(1 926 393 356)	(4 692 298 413)	(137 775 772)	(9 087 429 677)
Total segmental surplus/(deficit)	(762 430 097)	(884 141 845)	1 148 352 070	190 040 792	(59 014 895)	(367 193 975)
Total Revenue as per Statement of Financial Performance						8 720 235 702
Total Expenditure as per Statement of Financial Performance						(9 132 614 553)
Other items as per Statement of Financial Performance						45 184 876
Controlling entity's (deficit) for the period						(367 193 975)

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 economic entity's geographical areas of operation are considered as a single geographical area for decision making purposes.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

65. 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 R400 696 988 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 R21 870 747 (2022: R23 878 654).

Corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R400 696 988 (2022: R351 483 328) Refer to note 10, Accrued income.

Municipality as principal

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

BCMM received funding through National Treasury GBS funding for the Duncan Village Waste Buy Back Centre. BCMM entered into an agreement with BCMDA to implement the project and on completion, the asset is transferred to BCMM. In this agreement, no project management fees are charged to BCMM. Refer to note 44 Grant and Subsidies Paid and note 52 Related parties, for further details.

BCMDA is a development agency of the BCMM and has a responsibility to ensure economic development is achieved through its existence to expedite development of the City and participate in job creation through its mandate areas as approved by Council. Through the signed Service Delivery Agreement (SDA), the Agency was allocated recreational projects to implement on behalf of the City. In this arrangement, the BCMDA appointed contractors to commence with the construction at both Water World and Court Crescent. The City retains control of the assets 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 44, Grant and Subsidies Paid and note 52 Related parties for further details.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated
66. Cash flows from operating activities				
Sale of goods and services				
Total revenue from Statement of Financial Performance	8 788 979 556	8 711 497 808	8 776 393 857	8 720 235 702
Less: Interest received - (exchange) 29	(262 739 040)	(152 553 075)	(261 622 032)	(151 831 293)
Less: Interest received - (non-exchange) 32	(85 675 639)	(54 304 838)	(85 675 639)	(54 304 838)
Less: Government grants and subsidies 33	(1 936 173 537)	(1 729 702 487)	(1 925 040 153)	(1 739 305 650)
Less: Public contributions and donations (non-cash item)	(4 160 425)	-	(4 160 425)	-
Movement in receivables from exchange transactions 48	(821 203 417)	(1 091 925 388)	(831 187 282)	(1 086 958 572)
Movement in receivables from non-exchange transactions 48	(363 578 488)	(370 327 341)	(363 578 488)	(370 327 341)
	5 315 449 010	5 312 684 679	5 305 129 838	5 317 508 008
Government grants and subsidies				
Government grants and subsidies 33	1 936 173 537	1 729 702 487	1 925 040 153	1 739 305 650
Movement in unspent conditional grant 48	(28 306 652)	16 481 431	(20 480 652)	9 606 898
	1 907 866 885	1 746 183 918	1 904 559 501	1 748 912 548
Employee costs & Councillors remuneration				
Employee related costs 35	(2 476 159 013)	(2 535 946 820)	(2 432 021 251)	(2 512 381 060)
Councillors remuneration 36	(69 219 711)	(69 153 266)	(66 749 188)	(66 495 905)
Movement in post-retirement medical aid benefit obligation 48	(80 157 000)	67 661 000	(80 157 000)	67 661 000
Movement in bonus provision 19	(1 749 013)	(698 752)	(1 098 242)	(86 165)
	(2 627 284 737)	(2 538 137 838)	(2 580 025 681)	(2 511 302 130)
Suppliers and other payments				
Total expenditure as per the Statement of Financial Performance	(9 062 973 477)	(9 123 299 467)	(9 033 398 157)	(9 132 614 553)
Less: Employee related costs 35	2 476 159 013	2 535 946 820	2 432 021 251	2 512 381 060
Less: Councillors remuneration 36	69 219 711	69 153 266	66 749 188	66 495 905
Less: Finance costs 38	16 075 060	20 684 494	16 074 877	20 684 493
Less: Depreciation and amortisation 37	1 846 054 391	1 589 630 595	1 845 224 932	1 588 519 227
Less: Debt Impairment 40	897 827 765	1 338 506 415	897 827 765	1 338 506 415
Less: Impairment deficit 48	26 356	3 005	-	-
Movement in other provisions 19	1 059 600	58 823 722	183 128	52 037 749
Movement in prepayments 48	104 436	(6 832)	-	-
Movements in operating lease liability 48	20 947	(31 036)	-	-
Movement in trade payables from exchange transactions 48	293 747 740	29 365 618	280 103 311	38 382 768
Movement in inventory 48	(6 798 041)	(7 603 951)	(6 798 027)	(7 603 951)
Movement in consumer deposits 48	3 823 064	5 567 318	3 823 064	5 567 318
Non-cash adjustments 48	-	(210 103 984)	-	(211 006 074)
	(3 465 653 435)	(3 693 364 017)	(3 498 188 668)	(3 728 649 643)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

67. 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 2022 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was in a sound financial condition with a funding level of 100%.

The Consolidated Retirement Fund's last actuarial valuation was at 30 June 2022 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 2022 conducted by E. Du Toit from Alexander Forbes Financial Services, who confirmed that the fund was in a sound financial position. The funding level was at 100% 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 ARGEN Actuarial Solutions. The fund was 85.5% funded as at the current valuation date. The valuator was satisfied with the investment strategy of the fund and the nature of the assets is in his opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund.

The Municipal Employees Pension Fund's last interim valuation was at 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 R424.1 million (2022: R420.1 million) was contributed by Council, Councillors' and employees' in respect of Councillor and employee retirement funding. These contributions have been expensed.

Buffalo City Metropolitan Municipality

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Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 *Restated	2023	2022 *Restated

68. 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	2023	2022
C.C Mandleni		Filing clerk	-	2 297 749
Z. Nkopo		Technician	-	119 128
L. Boya		Communication Officer	2 517 906	2 255 485
M. Mqikela		Skills development	2 670 414	1 032 249
S. Mxesibe		Geomatics Technician	245 916	-
C.F. Stoffels		Informal contract	4 209 569	2 723 524
A. Qwede		Office Manager	107 266	42 243
H.C. Prince		Administrative officer	466 628	340 957
Z. Gqokoza		Equipment operator	143 187	333 385
S.C. Nkubungu		Project Manager	1 192 774	436 623
S. Sopazi		Staff accounts	165 273	143 092
Z. Mkwanti		Artisan Assistant	171 325	362 907
K. Somdaka		Office Manager	392 255	-
S. Xoki		Chief risk officer	3 623 857	-
A. Fredericks		Senior meter reader	159 522	-
Z. Ndzondo		Bid Secretariat	9 717 529	1 739 238
A. Ceba		BCX Director	19 995 211	13 563 133
T. Goba		Director	4 050 168	9 453 565
J.S.P. Matsebula		Director	773 975	968 445
K.P. Mfene		Admin clerk	58 300	52 200
H. Nazir		Teacher	699 575	680 000
A. Gunyazile		BCMM Councillor	-	12 745
N. Mbali Majeng		Director - Spatial Planning and Development	163 000	-
V. Zitumane	BCMDA Board member		4 082 851	4 280 236
			55 606 501	40 836 904