



Buffalo City Metropolitan Municipality
Audited Consolidated Annual Financial Statements
for the year ended 30 June 2024

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

General Information

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Index

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

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 14
Accounting Policies	15 - 41
Notes to the Audited Consolidated Annual Financial Statements	42 - 123

Abbreviations used:

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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 accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2025 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 - 123, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2024.

Acting Accounting Officer
Mr. M. Yawa

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
Assets					
Current Assets					
Inventories	8	69 398 396	50 846 397	69 346 670	50 806 436
Receivables from non-exchange transactions	9&11	1 197 137 575	872 470 012	1 197 137 575	872 470 012
Receivables from exchange transactions	10&11	2 145 176 988	1 944 270 909	2 143 721 959	1 949 381 200
Cash and cash equivalents	12	720 986 557	679 974 997	683 762 515	659 988 423
		4 132 699 516	3 547 562 315	4 093 968 719	3 532 646 071
Non-Current Assets					
Investment property	3	484 115 274	460 961 600	484 115 274	460 961 600
Property, plant and equipment	4	30 442 362 243	25 703 943 743	30 441 340 762	25 702 740 551
Intangible assets	5	7 247 129	9 042 729	6 763 780	8 305 760
Heritage assets	6	54 060 071	53 177 292	54 060 071	53 177 292
Investments in controlled entities	7	-	-	100	100
Investments in associates	7	726 924 658	686 174 352	726 924 658	686 174 352
		31 714 709 375	26 913 299 716	31 713 204 645	26 911 359 655
Total Assets		35 847 408 891	30 460 862 031	35 807 173 364	30 444 005 726
Liabilities					
Current Liabilities					
Operating lease liability	14	152 657	89 315	-	-
Employee benefit obligation	15	66 698 000	59 370 000	66 698 000	59 370 000
Unspent conditional grants and receipts	16	289 600 698	255 178 690	277 377 862	253 824 888
Borrowings	17	28 813 896	30 246 178	28 813 896	30 246 178
Finance lease obligation	18	157 612	-	-	-
Provisions	19	384 931 441	387 194 459	382 874 147	386 208 154
Trade payables from exchange transactions	20	1 754 175 779	1 840 676 601	1 742 475 843	1 833 123 999
Consumer deposits	21	87 137 643	83 616 487	87 137 643	83 616 487
		2 611 667 726	2 656 371 730	2 585 377 391	2 646 389 706
Non-Current Liabilities					
Employee benefit obligation	15	770 563 000	715 349 000	770 563 000	715 349 000
Borrowings	17	79 793 735	108 607 630	79 793 735	108 607 630
Finance lease obligation	18	55 669	-	-	-
Provisions	19	111 144 162	89 746 342	111 144 162	89 746 342
		961 556 566	913 702 972	961 500 897	913 702 972
Total Liabilities		3 573 224 292	3 570 074 702	3 546 878 288	3 560 092 678
Net Assets		32 274 184 599	26 890 787 329	32 260 295 076	26 883 913 048
Reserves					
Revaluation reserve	13	21 664 108 227	16 454 472 359	21 664 108 227	16 454 472 359
Accumulated surplus		10 610 076 372	10 436 314 970	10 596 186 849	10 429 440 689
Total Net Assets		32 274 184 599	26 890 787 329	32 260 295 076	26 883 913 048

* See Note 56

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	25	4 333 828 824	3 627 140 895	4 333 828 824	3 627 140 895
Rental of facilities and equipment	26	23 226 131	24 500 929	23 136 005	24 500 929
Construction contracts	27	91 712 399	88 113 517	91 712 399	88 113 517
Agency services	28	18 764 272	21 870 747	18 764 272	21 870 747
Other revenue (exchange)	29	83 056 771	75 330 491	83 056 471	74 995 184
Interest received	30	328 377 833	247 427 353	326 691 825	246 310 345
Total revenue from exchange transactions		4 878 966 230	4 084 383 932	4 877 189 796	4 082 931 617
Revenue from non-exchange transactions					
Property rates	31	2 127 633 956	1 784 853 533	2 127 633 956	1 784 853 533
Licences and Permits (non-exchange)	32	13 697 831	12 216 036	13 697 831	12 216 036
Interest (non-exchange)	33	112 362 090	85 675 639	112 362 090	85 675 639
Government grants & subsidies	34	2 130 198 037	1 936 173 537	2 122 290 044	1 925 040 153
Other revenue (non-exchange)	35	97 920 061	86 302 838	97 920 061	86 302 838
Public contributions and donations	24	22 409 060	4 160 425	22 409 060	4 160 425
Fines	24	65 437 669	65 631 493	65 437 669	65 631 493
Fuel levy	24	741 926 000	719 203 000	741 926 000	719 203 000
Total revenue from non-exchange transactions		5 311 584 704	4 694 216 501	5 303 676 711	4 683 083 117
Total revenue	24	10 190 550 934	8 778 600 433	10 180 866 507	8 766 014 734
Expenditure					
Employee related costs	36	(2 701 208 808)	(2 443 914 499)	(2 657 488 049)	(2 399 776 737)
Remuneration of councillors/directors	37	(70 959 578)	(71 599 607)	(68 967 377)	(69 129 084)
Inventory consumed	38	(336 956 044)	(350 866 010)	(336 923 273)	(350 829 952)
Depreciation and amortisation	39	(1 891 872 716)	(1 896 595 914)	(1 890 789 288)	(1 895 766 455)
Finance costs	40	(46 210 625)	(48 316 216)	(46 183 512)	(48 316 033)
Debt Impairment	42	(1 336 717 876)	(956 485 680)	(1 336 717 876)	(956 485 680)
Bulk purchases	43	(2 252 355 443)	(1 912 233 731)	(2 252 355 443)	(1 912 233 731)
Repairs and maintenance	44	(485 105 498)	(523 187 632)	(485 086 358)	(523 167 590)
Contracted services	45	(385 191 318)	(372 297 706)	(376 508 551)	(355 933 521)
Grants and subsidies paid	46	(71 316 468)	(91 955 485)	(131 530 965)	(137 494 884)
General expenses	47	(632 320 632)	(587 393 175)	(624 982 088)	(576 821 339)
Total expenditure		(10 210 215 006)	(9 254 845 655)	(10 207 532 780)	(9 225 955 006)
Operating deficit		(19 664 072)	(476 245 222)	(26 666 273)	(459 940 272)
Net gain/(loss) on derecognition of assets	4	(351 670 867)	2 612 915	(351 672 161)	2 591 325
Inventories losses/write-downs	52	(148 218 824)	(143 613 837)	(148 230 590)	(143 591 411)
Fair value adjustments	48	23 153 674	9 064 100	23 153 674	9 064 100
Impairment loss		-	(26 356)	-	-
Share of surpluses or (deficits) from associates	7	40 750 306	(20 142 918)	40 750 306	(20 142 918)
		(435 985 711)	(152 106 096)	(435 998 771)	(152 078 904)
Deficit for the year		(455 649 783)	(628 351 318)	(462 665 044)	(612 019 176)

* See Note 56

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Economic entity			
Opening balance as previously reported	14 709 129 236	10 909 689 314	25 618 818 550
Adjustments			
Prior year adjustments (note 56)	893 485 289	154 976 974	1 048 462 263
Balance at 01 July 2022 as restated*	15 602 614 525	11 064 666 288	26 667 280 813
Changes in net assets			
(Deficit) for the year	-	(628 351 318)	(628 351 318)
Revaluation	851 857 834	-	851 857 834
Total changes	851 857 834	(628 351 318)	223 506 516
Restated* Balance at 01 July 2023	16 454 472 359	10 436 314 970	26 890 787 329
Changes in net assets			
(Deficit) for the year	-	(455 649 783)	(455 649 783)
Revaluation	5 839 047 053	-	5 839 047 053
Adjustment on derecognition of assets	(629 411 185)	629 411 185	-
Total changes	5 209 635 868	173 761 402	5 383 397 270
Balance at 30 June 2024	21 664 108 227	10 610 076 372	32 274 184 599
Note(s)	13	56	
Controlling entity			
Opening balance as previously reported	14 709 129 236	10 894 245 857	25 603 375 093
Adjustments			
Prior year adjustments (note 56)	893 485 289	147 214 008	1 040 699 297
Balance at 01 July 2022 as restated*	15 602 614 525	11 041 459 865	26 644 074 390
Changes in net assets			
(Deficit) for the year	-	(612 019 176)	(612 019 176)
Revaluation	851 857 834	-	851 857 834
Total changes	851 857 834	(612 019 176)	239 838 658
Restated* Balance at 01 July 2023	16 454 472 359	10 429 440 708	26 883 913 067
Changes in net assets			
(Deficit) for the year	-	(462 665 044)	(462 665 044)
Revaluation	5 839 047 053	-	5 839 047 053
Adjustment on derecognition of assets	(629 411 185)	629 411 185	-
Total changes	5 209 635 868	166 746 141	5 376 382 009
Balance at 30 June 2024	21 664 108 227	10 596 186 849	32 260 295 076
Note(s)	13	56	

* See Note 56

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services	69	5 757 321 456	5 411 690 077	5 763 796 350	5 400 063 055
Government grants and subsidies	69	2 164 620 045	1 907 866 885	2 145 843 018	1 904 559 501
Interest income	33&30	440 739 923	333 102 992	439 053 915	331 985 984
		8 362 681 424	7 652 659 954	8 348 693 283	7 636 608 540
Payments					
Employee costs & Councillors remuneration	69	(2 702 089 343)	(2 597 420 119)	(2 657 447 372)	(2 550 161 062)
Suppliers and other payments	69	(4 508 825 705)	(3 587 570 478)	(4 557 177 638)	(3 618 797 862)
Finance costs	40	(11 564 956)	(16 075 060)	(11 564 956)	(16 074 877)
		(7 222 480 004)	(6 201 065 657)	(7 226 189 966)	(6 185 033 801)
Net cash flows from operating activities	50	1 140 201 420	1 451 594 297	1 122 503 317	1 451 574 739
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 067 782 822)	(1 434 028 610)	(1 067 303 048)	(1 433 762 644)
Proceeds from sale of property, plant and equipment	4	30 434	14 847 204	-	14 825 614
Purchase of other intangible assets	5	(197 463)	(423 146)	-	(201 202)
Purchase of heritage assets	6	(1 180 000)	(331 000)	(1 180 000)	(331 000)
Net cash flows from investing activities		(1 069 129 851)	(1 419 935 552)	(1 068 483 048)	(1 419 469 232)
Cash flows from financing activities					
Repayment of borrowings	17	(30 246 177)	(49 140 563)	(30 246 177)	(49 140 563)
Movement in finance lease obligation	18	186 168	-	-	-
Net cash flows from financing activities		(30 060 009)	(49 140 563)	(30 246 177)	(49 140 563)
Net increase/(decrease) in cash and cash equivalents		41 011 560	(17 481 818)	23 774 092	(17 035 056)
Cash and cash equivalents at the beginning of the year		679 974 997	697 456 815	659 988 423	677 023 479
Cash and cash equivalents at the end of the year	12	720 986 557	679 974 997	683 762 515	659 988 423

* See Note 56

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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 - 2024											
Financial Performance											
Property rates	2 208 577 405	-	2 208 577 405	-		2 208 577 405	2 127 633 956		(80 943 449)	96 %	
Service charges	4 446 988 027	(59 155 955)	4 387 832 072	-		4 387 832 072	4 333 828 824		(54 003 248)	99 %	
Investment revenue	24 054 418	14 658 895	38 713 313	-		38 713 313	51 629 981		12 916 668	133 %	N1
Transfers recognised - operational	1 463 862 078	29 637 624	1 493 499 702	-		1 493 499 702	1 351 977 509		(141 522 193)	91 %	
Other own revenue	1 272 075 012	(14 366 011)	1 257 709 001	-		1 257 709 001	1 549 166 060		291 457 059	123 %	N2
Total revenue (excluding capital transfers and contributions)	9 415 556 940	(29 225 447)	9 386 331 493	-		9 386 331 493	9 414 236 330		27 904 837	100 %	
Employee costs	(2 884 447 506)	113 611 685	(2 770 835 821)	-	-	(2 770 835 821)	(2 736 129 258)	-	34 706 563	99 %	
Remuneration of councillors	(74 057 054)	5 089 675	(68 967 379)	-	-	(68 967 379)	(68 967 378)	-	1	100 %	
Debt impairment	(1 328 916 502)	(154 974 394)	(1 483 890 896)			(1 483 890 896)	(1 336 717 876)	-	147 173 020	90 %	
Depreciation and asset impairment	(1 903 201 535)	(211 351)	(1 903 412 886)			(1 903 412 886)	(1 891 872 716)	-	11 540 170	99 %	
Finance charges	(13 567 183)	(24 885)	(13 592 068)	-	-	(13 592 068)	(46 210 625)	(32 618 557)	(32 618 557)	340 %	N3
Materials and bulk purchases	(2 798 807 982)	161 051 396	(2 637 756 586)	-	-	(2 637 756 586)	(2 563 563 432)	-	74 193 154	97 %	
Transfers and grants	(154 110 060)	13 541 179	(140 568 881)	-	-	(140 568 881)	(131 530 965)	-	9 037 916	94 %	
Other expenditure	(1 541 816 080)	(118 836 559)	(1 660 652 639)	-	-	(1 660 652 639)	(1 996 488 252)	(335 835 592)	(335 835 613)	120 %	N4
Total expenditure	(10 698 923 902)	19 246 746	(10 679 677 156)	-	-	(10 679 677 156)	(10 771 480 502)	(368 454 149)	(91 803 346)	101 %	
Surplus/(Deficit)	(1 283 366 962)	(9 978 701)	(1 293 345 663)	-		(1 293 345 663)	(1 357 244 172)		(63 898 509)	105 %	

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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	759 472 300	92 525 267	851 997 567	-		851 997 567	838 435 023		(13 562 544)	98 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	22 409 060		22 409 060		N5
Surplus (Deficit) after capital transfers and contributions	(523 894 662)	82 546 566	(441 348 096)	-		(441 348 096)	(496 400 089)		(55 051 993)	112 %	
Share of surplus (deficit) of associate	-	-	-	-		-	40 750 306		40 750 306		N7
Surplus/(Deficit) for the year	(523 894 662)	82 546 566	(441 348 096)	-		(441 348 096)	(455 649 783)		(95 802 299)	103 %	N6
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	759 472 300	92 525 267	851 997 567	-		851 997 567	838 435 023		(13 562 544)	98 %	
Internally generated funds	459 854 004	27 581 457	487 435 461	-		487 435 461	346 368 137		(141 067 324)	71 %	N8
Total sources of capital funds	1 219 326 304	120 106 724	1 339 433 028	-		1 339 433 028	1 184 803 160		(154 629 868)	88 %	
Financial position											
Total current assets	3 592 822 489	1 898 846 571	5 491 669 060	-		5 491 669 060	4 132 699 516		(1 358 969 544)	75 %	N9
Total non-current assets	25 874 154 604	254 566 150	26 128 720 754	-		26 128 720 754	31 714 709 375		5 585 988 621	121 %	
Total current liabilities	(2 204 106 662)	(2 132 043 019)	(4 336 149 681)	-		(4 336 149 681)	(2 611 667 726)		1 724 481 955	60 %	N10
Total non-current liabilities	(1 061 162 928)	98 430 617	(962 732 311)	-		(962 732 311)	(961 556 566)		1 175 745	100 %	
Community wealth/Equity	26 201 707 503	119 800 319	26 321 507 822	-		26 321 507 822	32 274 184 599		5 952 676 777	123 %	

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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	1 146 286 359	298 473 678	1 444 760 037	-		1 444 760 037	1 140 201 420		(304 558 617)	79 %	N11
Net cash from (used) investing	(1 219 326 304)	(105 137 965)	(1 324 464 269)	-		(1 324 464 269)	(1 069 129 851)		255 334 418	81 %	N12
Net cash from (used) financing	(43 135 989)	7 071 404	(36 064 585)	-		(36 064 585)	(30 060 009)		6 004 576	83 %	N13
Net increase/(decrease) in cash and cash equivalents	(116 175 934)	200 407 117	84 231 183	-		84 231 183	41 011 560		(43 219 623)	49 %	
Cash and cash equivalents at the beginning of the year	808 648 251	(128 673 255)	679 974 996	-		679 974 996	679 974 997		1	100 %	
Cash and cash equivalents at year end	692 472 317	71 733 862	764 206 179	-		764 206 179	720 986 557		(43 219 622)	94 %	N14

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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 - 2024											
Financial Performance											
Property rates	2 208 577 405	-	2 208 577 405	-		2 208 577 405	2 127 633 955		(80 943 450)	96 %	
Service charges	4 446 988 027	(59 155 955)	4 387 832 072	-		4 387 832 072	4 332 572 840		(55 259 232)	99 %	
Investment revenue	23 027 305	14 000 000	37 027 305	-		37 027 305	49 943 972		12 916 667	135 %N1	
Transfers recognised - operational	1 284 627 700	(5 257 541)	1 279 370 159	-		1 279 370 159	1 283 855 019		4 484 860	100 %	
Other own revenue	1 271 675 012	(15 141 849)	1 256 533 163	-		1 256 533 163	1 456 580 443		200 047 280	116 %N2	
Total revenue (excluding capital transfers and contributions)	9 234 895 449	(65 555 345)	9 169 340 104	-		9 169 340 104	9 250 586 229		81 246 125	101 %	
Employee costs	(2 842 422 439)	120 660 564	(2 721 761 875)	-	-	(2 721 761 875)	(2 690 416 301)	-	31 345 574	99 %	
Remuneration of councillors	(74 057 054)	5 089 675	(68 967 379)	-	-	(68 967 379)	(68 967 378)	-	1	100 %	
Debt impairment	(1 328 916 502)	(154 974 394)	(1 483 890 896)			(1 483 890 896)	(1 336 717 876)	-	147 173 020	90 %	
Depreciation and asset impairment	(1 902 326 577)	-	(1 902 326 577)			(1 902 326 577)	(1 890 789 290)	-	11 537 287	99 %	
Finance charges	(13 564 955)	-	(13 564 955)	-	-	(13 564 955)	(46 183 512)	(32 618 557)	(32 618 557)	340 %N3	
Inventory consumed and bulk purchases	(2 797 818 044)	162 197 728	(2 635 620 316)	-	-	(2 635 620 316)	(2 563 530 662)	-	72 089 654	97 %	
Transfers and grants	(153 897 060)	13 443 469	(140 453 591)	-	-	(140 453 591)	(131 530 965)	-	8 922 626	94 %	
Other expenditure	(1 517 959 780)	(90 840 396)	(1 608 800 176)	-	-	(1 608 800 176)	(1 887 965 661)	(279 165 476)	(279 165 485)	117 %N4	
Total expenditure	(10 630 962 411)	55 576 646	(10 575 385 765)	-	-	(10 575 385 765)	(10 616 101 645)	(311 784 033)	(40 715 880)	100 %	
Surplus/(Deficit)	(1 396 066 962)	(9 978 699)	(1 406 045 661)	-		(1 406 045 661)	(1 365 515 416)		40 530 245	97 %	

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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	759 472 300	92 525 287	851 997 587	-		851 997 587	838 435 023		(13 562 564)	98 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	22 409 060		22 409 060	- %N5	
Surplus (Deficit) after capital transfers and contributions	(636 594 662)	82 546 588	(554 048 074)	-		(554 048 074)	(504 671 333)		49 376 741	91 %	
Share of surplus (deficit) of associate	-	-	-	-		-	40 750 306		40 750 306	- %N7	
Surplus/(Deficit) for the year	(636 594 662)	82 546 588	(554 048 074)	-		(554 048 074)	(463 921 027)		90 127 047	84 %N6	
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	759 472 300	92 908 137	852 380 437	-		852 380 437	838 435 023		(13 945 414)	98 %	
Internally generated funds	458 420 778	27 823 671	486 244 449	-		486 244 449	346 127 526		(140 116 923)	71 %N8	
Total sources of capital funds	1 217 893 078	120 731 808	1 338 624 886	-		1 338 624 886	1 184 562 549		(154 062 337)	88 %	
Financial position											
Sources of capital funds											
Total current assets	3 593 944 216	1 852 456 715	5 446 400 931	-		5 446 400 931	4 093 968 719		(1 352 432 212)	75 %N9	
Total non-current assets	25 870 267 891	256 950 914	26 127 218 805	-		26 127 218 805	31 713 204 645		5 585 985 840	121 %	
Total current liabilities	(2 201 997 742)	(2 105 935 862)	(4 307 933 604)	-		(4 307 933 604)	(2 585 377 391)		1 722 556 213	60 %N10	
Total non-current liabilities	(1 061 162 928)	103 060 134	(958 102 794)	-		(958 102 794)	(961 500 897)		(3 398 103)	100 %	
Community wealth/Equity	26 201 051 437	106 531 901	26 307 583 338	-		26 307 583 338	32 260 295 076		5 952 711 738	123 %	

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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	1 016 034 662	411 302 565	1 427 337 227	-		1 427 337 227	1 122 503 317		(304 833 910)	79 %	N11
Net cash from (used) investing	(1 217 893 078)	(106 199 683)	(1 324 092 761)	-		(1 324 092 761)	(1 068 483 048)		255 609 713	81 %	N12
Net cash from (used) financing	(43 135 989)	6 885 236	(36 250 753)	-		(36 250 753)	(30 246 177)		6 004 576	83 %	N13
Net increase/(decrease) in cash and cash equivalents	(244 994 405)	311 988 118	66 993 713	-		66 993 713	23 774 092		(43 219 621)	35 %	
Cash and cash equivalents at the beginning of the year	938 094 488	(278 106 066)	659 988 422	-		659 988 422	659 988 423		1	100 %	
Cash and cash equivalents at year end	693 100 083	33 882 052	726 982 135	-		726 982 135	683 762 515		43 219 620	94 %	N14

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

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

- N1 - (Investment revenue) - Increased interest rates by South African Reserve Bank, impacted interest earned on Investments positively.
- N2 - (Other own revenue) - The variance is a result of Interest earned from Receivables; the debtor's book is increasing due to non-payment of debtors. The increase in debtor's results in an increase in interest charges, despite credit control action being implemented.
- N3 - (Finance charges) - An amount of R34m relates to accrued interest in respect of the Landfill Provision, this is a non-cash item that was not budgeted for because previously it used to be capitalised back to the asset components which was not in line with GRAP. The expert calculations were just completed.
- N4 - (Other Expenditure) - The variance is caused by loss on derecognition of assets.
- N5 - (Contributions recognised – capital and contributed assets) - The donations are all electricity infrastructure, donated from various stakeholders. The biggest one being from Eastern Cape Development Corporation (ECDC) for the Dimbaza industrial Park Miniature Substation of R18.47 million.
- N6 - (Surplus/(Deficit) for the year) - The deficit for the year that has been incurred by the Metro is mainly caused by two non-cash items - Depreciation & amortisation and Debt impairment.

Depreciation & amortisation: Infrastructure assets revalued at the end of each financial year in accordance with the accounting policy adopted by BCMM. The revaluation results in additional depreciation that cannot be compensated by increasing tariffs as that would lead to unaffordable tariffs. The change of valuation model is still under consideration.

Debt impairment: The increase is due to a rise in debtors primarily due to non-payment by customers within the financial year.

- N7 - (Share of surplus (deficit) of associate) - There was a surplus realised by the East London Industrial Development Zone at 26% share price held by Buffalo City Metropolitan Municipality resulting in R40 750 306 surplus for the year ended June 2024.
- N8 - (Internally generated funds) - The major contributing factors on low expenditure are procurement and project management inefficiencies that resulted in the slow progress in implementing own funded capital projects, however most of the projects are already awarded and the funding of such projects is fully committed.
- N9 - (Total current assets) - The reason for the variance is VAT payable and receivable disclosed separately for NT mSCOA budgeting purposes and combined and grouped together for GRAP reporting.
- N10 - (Total current liabilities) - The reason for the variance is VAT payable and receivable disclosed separately for NT mSCOA budgeting purposes and combined and grouped together for GRAP reporting.
- N11 - (Net cash from (used) operating) - A significant increase in payments to suppliers was observed in an aim to promote grant expenditure and reduce creditors days.
- N12 - (Net cash from (used) investing) - Increase in capital expenditure and reduction in disposals for the year.
- N13 - (Net cash from (used) financing) - Significant reduction on financing costs as the loan capital amount reduces.
- N14 - (Cash and cash equivalents at year-end) - A cash improvement is observed on the AFS due to reduction in financing cost and cash from operations.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

	Economic entity	Controlling entity
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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 require management to make certain assumptions which are also subject to change.

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

Impairment testing

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

The 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 2024

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 entity has in accordance with paragraph of 8 of Directive 5, GRAP Reporting Framework, adopted the 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 15.

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 is not expected to be significantly higher than the cost of the asset.

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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 monthly.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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 2024

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 or % of use
Land	Straight-line	Indefinite
Buildings	Straight-line	30 to 60
Plant and machinery	Straight-line	3 to 30
Furniture and fittings	Diminishing balance	10%
Motor vehicles	Straight-line	4 to 15

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 Property, plant and equipment (continued)

Electricity	Straight-line	30 to 60
Community - Buildings	Straight-line	30 to 60
Community - Recreation	Straight-line	15 to 60
Other properties	Straight-line	5 to 60
Roads	Straight-line	5 to 100
Wastewater network	Straight-line	5 to 80
Water network	Straight-line	5 to 150

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

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

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

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

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

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 2024

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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Interests in other entities

Investment in controlled entities

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

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

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.

Accounting Policies

1.8 Interests in other entities (continued)

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

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

1.9 Financial instruments

A financial asset is:

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

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

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

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position and in note 23:

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 23:

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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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.

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.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Financial instruments (continued)

amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

a) Financial assets

The 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.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Statutory receivables (continued)

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

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

1.11 Leases

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Refer to note 15.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. Refer to note 15.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Refer to note 70.

Classification of plans

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

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

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

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

Net defined benefit liability (asset)

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

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

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit cost

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

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

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Employee benefits (continued)

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

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Short-term paid absences

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

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

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

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

Bonus, incentive and performance related payments

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

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

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

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

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

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

- (a) the surplus in the defined benefit plan; and
- (b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

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

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

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

Actuarial valuation method

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

Attributing benefit to periods of service

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

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

Actuarial assumptions: Discount rate

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions: Salaries, benefits and medical costs

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

- (a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;
- (b) any estimated future salary increases that affect the benefits payable;
- (c) the effect of any limit on the employer's share of the cost of the future benefits;
- (d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and
- (e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - (i) those changes were enacted before the end of the reporting period; or
 - (ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Past service cost and gains and losses on settlement

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

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

Past service cost

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

- (a) when the plan amendment or curtailment occurs; and
- (b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

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

Components of defined benefit cost

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

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

Current service cost

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

Net interest on the net defined benefit liability (asset)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

Remeasurements of the net defined benefit liability (asset)

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

(a) actuarial gains and losses;

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

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

Presentation

Offset

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

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

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Current/non-current distinction

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

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

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Components of defined benefit cost

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

Other long-term employee benefits

Recognition and measurement

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

(a) service cost;

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

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

If a 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 54.

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 53.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Measurement

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

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

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

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest

Revenue arising from the use by others of 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Control of an asset arises 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.

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines

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

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

An agent is 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.22 Construction contracts and receivables

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

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

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

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.25 Fruitless and wasteful expenditure (continued)

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

1.26 Irregular expenditure

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

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

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

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

1.27 Revaluation reserve

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

1.28 Off-setting

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

1.29 Conditional grants and receipts

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

1.30 Budget information

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

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

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 2023/07/01 to 2024/06/30.

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Related parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the entity. Refer to note 55.

1.32 Events after reporting date

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

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

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

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.33 Value added tax (VAT)

The 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 22.

1.34 Investments

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

1.35 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

1.36 Tax

Current tax assets and liabilities

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.36 Tax (continued)

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

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

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

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

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

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

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

Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

If the error occurred before the earliest period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity	Controlling entity
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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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP1 (Amended): Presentation of Financial Statements	Not yet set	Unlikely there will be a material impact
• GRAP 103 (Amended): Heritage Assets	Not yet set	Unlikely there will be a material impact
• GRAP 104 (Revised): Financial Instruments	01 April 2025	Impact is currently being assessed
• GRAP 105 (Revised): Transfer of Functions Between Entities Under Common Control	Not yet set	Unlikely there will be a material impact
• GRAP 106 (Revised): Transfer of Functions Between Entities Not Under Common Control	Not yet set	Unlikely there will be a material impact
• GRAP 107 (Revised): Mergers	Not yet set	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transaction and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• Improvements to the standards of GRAP 2023	Not yet set	Unlikely there will be a material impact

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

The impact of this standard is currently being assessed.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

3. Investment property

Economic entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	484 115 274	-	484 115 274	460 961 600	-	460 961 600
Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	484 115 274	-	484 115 274	460 961 600	-	460 961 600

Reconciliation of investment property - Economic entity - 2024

	Opening balance	Fair value adjustments	Total
Investment property	460 961 600	23 153 674	484 115 274

Reconciliation of investment property - Economic entity - 2023

	Opening balance	Fair value adjustments	Total
Investment property	451 897 500	9 064 100	460 961 600

Reconciliation of investment property - Controlling entity - 2024

	Opening balance	Fair value adjustments	Total
Investment property	460 961 600	23 153 674	484 115 274

Reconciliation of investment property - Controlling entity - 2023

	Opening balance	Fair value adjustments	Total
Investment property	451 897 500	9 064 100	460 961 600

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

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

Rental income from investment properties in respect of monthly and annual leases amounted to R15 778 412, (2023: R17 236 586).

There were no repairs and maintenance conducted on municipal investment properties for current and previous financial year.

Valuations were done based on three valuation methodologies.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

3. Investment property (continued)

1. Direct Comparative Sales

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

2. Income Capitalisation Method

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

3. Depreciated Replacement Cost

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	106 539 098	-	106 539 098	103 995 947	-	103 995 947
Plant and machinery	130 994 446	(97 181 295)	33 813 151	123 943 239	(90 341 205)	33 602 034
Furniture and fixtures	255 027 155	(187 695 187)	67 331 968	248 656 555	(171 629 647)	77 026 908
Motor vehicles	648 598 707	(385 285 953)	263 312 754	644 962 987	(352 275 482)	292 687 505
IT equipment	2 147 546	(1 603 665)	543 881	1 775 176	(1 265 239)	509 937
Electricity infrastructure	14 746 467 395	(8 950 907 541)	5 795 559 854	12 734 190 339	(8 626 606 981)	4 107 583 358
Other property (halls, social housing)	3 103 805 086	(1 229 757 202)	1 874 047 884	2 916 771 379	(1 189 322 678)	1 727 448 701
Work in progress (WIP)	2 455 165 940	-	2 455 165 940	3 223 694 380	-	3 223 694 380
Recreational facilities	1 100 038 020	(672 280 956)	427 757 064	967 522 692	(643 159 280)	324 363 412
Roads	20 206 744 540	(10 161 326 732)	10 045 417 808	17 911 566 056	(9 890 689 945)	8 020 876 111
Wastewater network	6 341 288 847	(3 728 842 391)	2 612 446 456	6 160 423 240	(3 685 335 047)	2 475 088 193
Water network	10 281 582 646	(5 112 772 536)	5 168 810 110	8 869 394 808	(4 885 346 682)	3 984 048 126
Community buildings	3 151 109 413	(1 559 493 138)	1 591 616 275	2 800 598 236	(1 467 579 105)	1 333 019 131
Total	62 529 508 839	(32 087 146 596)	30 442 362 243	56 707 495 034	(31 003 551 291)	25 703 943 743

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	106 539 098	-	106 539 098	103 995 947	-	103 995 947
Plant and machinery	130 994 446	(97 181 295)	33 813 151	123 943 239	(90 341 205)	33 602 034
Furniture and fixtures	253 423 222	(186 568 854)	66 854 368	247 093 117	(170 759 464)	76 333 653
Motor vehicles	648 598 707	(385 285 953)	263 312 754	644 962 987	(352 275 482)	292 687 505
Electricity infrastructure	14 746 467 395	(8 950 907 541)	5 795 559 854	12 734 190 339	(8 626 606 981)	4 107 583 358
Other property (halls, social housing)	3 103 805 086	(1 229 757 202)	1 874 047 884	2 916 771 379	(1 189 322 678)	1 727 448 701
Work in progress (WIP)	2 455 165 940	-	2 455 165 940	3 223 694 380	-	3 223 694 380
Recreational facilities	1 100 038 020	(672 280 956)	427 757 064	967 522 692	(643 159 280)	324 363 412
Roads	20 206 744 540	(10 161 326 732)	10 045 417 808	17 911 566 056	(9 890 689 945)	8 020 876 111
Wastewater network	6 341 288 847	(3 728 842 391)	2 612 446 456	6 160 423 240	(3 685 335 047)	2 475 088 193
Water network	10 281 582 646	(5 112 772 536)	5 168 810 110	8 869 394 808	(4 885 346 682)	3 984 048 126
Community buildings	3 151 109 413	(1 559 493 138)	1 591 616 275	2 800 598 236	(1 467 579 105)	1 333 019 131
Total	62 525 757 360	(32 084 416 598)	30 441 340 762	56 704 156 420	(31 001 415 869)	25 702 740 551

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Transfers	Disposals	Revaluations	Depreciation	Total
Land	103 995 947	2 543 151	-	-	-	-	106 539 098
Plant and machinery	33 602 034	7 159 508	-	(70 756)	-	(6 877 635)	33 813 151
Furniture and fixtures	77 026 908	7 429 146	-	(393 220)	-	(16 730 866)	67 331 968
Motor vehicles	292 687 505	12 812 476	-	(2 156 353)	-	(40 030 874)	263 312 754
IT equipment	509 937	439 279	-	(29 140)	-	(376 195)	543 881
Electricity infrastructure	4 107 583 358	204 708 838	-	(2 609 304)	1 822 172 386	(336 295 424)	5 795 559 854
Other property (halls, social housing)	1 727 448 701	245 205 737	-	(131 205 691)	136 007 851	(103 408 714)	1 874 047 884
Work in progress (WIP)	3 223 694 380	1 104 542 050	(1 873 070 490)	-	-	-	2 455 165 940
Recreational facilities	324 363 412	51 422 929	-	(1 905 087)	94 445 597	(40 569 787)	427 757 064
Roads	8 020 876 111	706 937 264	-	(183 128 739)	2 337 544 133	(836 810 961)	10 045 417 808
Wastewater network	2 475 088 193	71 351 981	-	(18 633 737)	218 296 261	(133 656 242)	2 612 446 456
Water network	3 984 048 126	411 645 078	-	(4 319 855)	1 029 838 504	(252 401 743)	5 168 810 110
Community buildings	1 333 019 131	137 064 935	-	(7 249 419)	252 349 312	(123 567 684)	1 591 616 275
	25 703 943 743	2 963 262 372	(1 873 070 490)	(351 701 301)	5 890 654 044	(1 890 726 125)	30 442 362 243

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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 - 2023

	Opening balance	Additions	Disposals/ Transfers	Revaluations	Depreciation	Total
Land	91 590 387	12 405 560	-	-	-	103 995 947
Plant and machinery	43 098 366	3 147 885	(391 166)	-	(12 253 051)	33 602 034
Furniture and fixtures	94 540 268	14 611 143	(466 291)	-	(31 658 212)	77 026 908
Motor vehicles	305 000 154	38 949 467	(11 376 832)	-	(39 885 284)	292 687 505
IT equipment	601 482	244 343	-	-	(335 888)	509 937
Electricity infrastructure	4 414 254 460	130 225 559	-	(95 652 292)	(341 244 369)	4 107 583 358
Other property (halls, social housing)	1 699 274 254	71 673 743	-	60 264 908	(103 764 204)	1 727 448 701
Work in progress (WIP)	2 897 474 221	326 220 159	-	-	-	3 223 694 380
Recreational facilities	334 477 038	17 036 587	-	14 024 037	(41 174 250)	324 363 412
Roads	7 689 064 016	516 136 618	-	631 011 435	(815 335 958)	8 020 876 111
Wastewater network	2 553 348 798	81 215 363	-	(22 417 424)	(137 058 544)	2 475 088 193
Water network	3 883 555 440	134 209 905	-	219 028 786	(252 746 005)	3 984 048 126
Community buildings	1 314 247 275	92 112 703	-	45 598 384	(118 939 231)	1 333 019 131
	25 320 526 159	1 438 189 035	(12 234 289)	851 857 834	(1 894 394 996)	25 703 943 743

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Transfers	Disposals	Revaluations	Depreciation	Total
Land	103 995 947	2 543 151	-	-	-	-	106 539 098
Plant and machinery	33 602 034	7 159 508	-	(70 756)	-	(6 877 635)	33 813 151
Furniture and fixtures	76 333 653	7 388 651	-	(393 220)	-	(16 474 716)	66 854 368
Motor vehicles	292 687 505	12 812 476	-	(2 156 353)	-	(40 030 874)	263 312 754
Electricity infrastructure	4 107 583 358	204 708 838	-	(2 609 304)	1 822 172 386	(336 295 424)	5 795 559 854
Other property (halls, social housing)	1 727 448 701	245 205 737	-	(131 205 691)	136 007 851	(103 408 714)	1 874 047 884
Work in progress (WIP)	3 223 694 380	1 104 542 050	(1 873 070 490)	-	-	-	2 455 165 940
Recreational facilities	324 363 412	51 422 929	-	(1 905 087)	94 445 597	(40 569 787)	427 757 064
Roads	8 020 876 111	706 937 264	-	(183 128 739)	2 337 544 133	(836 810 961)	10 045 417 808
Wastewater network	2 475 088 193	71 351 981	-	(18 633 737)	218 296 261	(133 656 242)	2 612 446 456
Water network	3 984 048 126	411 645 078	-	(4 319 855)	1 029 838 504	(252 401 743)	5 168 810 110
Community buildings	1 333 019 131	137 064 935	-	(7 249 419)	252 349 312	(123 567 684)	1 591 616 275
	25 702 740 551	2 962 782 598	(1 873 070 490)	(351 672 161)	5 890 654 044	(1 890 093 780)	30 441 340 762

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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	Disposals/ Transfers	Revaluations	Depreciation	Total
Land	91 590 387	12 405 560	-	-	-	103 995 947
Plant and machinery	43 098 366	3 147 885	(391 166)	-	(12 253 051)	33 602 034
Furniture and fixtures	93 610 028	14 589 520	(466 291)	-	(31 399 604)	76 333 653
Motor vehicles	305 000 154	38 949 467	(11 376 832)	-	(39 885 284)	292 687 505
Electricity infrastructure	4 414 254 460	130 225 559	-	(95 652 292)	(341 244 369)	4 107 583 358
Other property (halls, social housing)	1 699 274 254	71 673 743	-	60 264 908	(103 764 204)	1 727 448 701
Work in progress (WIP)	2 897 474 221	326 220 159	-	-	-	3 223 694 380
Recreational facilities	334 477 038	17 036 587	-	14 024 037	(41 174 250)	324 363 412
Roads	7 689 064 016	516 136 618	-	631 011 435	(815 335 958)	8 020 876 111
Wastewater network	2 553 348 798	81 215 363	-	(22 417 424)	(137 058 544)	2 475 088 193
Water network	3 883 555 440	134 209 905	-	219 028 786	(252 746 005)	3 984 048 126
Community buildings	1 314 247 275	92 112 703	-	45 598 384	(118 939 231)	1 333 019 131
	25 318 994 437	1 437 923 069	(12 234 289)	851 857 834	(1 893 800 500)	25 702 740 551

Proceeds on disposal of Property, plant and equipment

		2024	2023	2024	2023
Carrying value of Property, plant and equipment		351 701 301	12 234 289	351 672 161	12 234 289
Net gain/(loss) on disposal of assets	27	(351 670 867)	2 612 915	(351 672 161)	2 591 325
		30 434	14 847 204	-	14 825 614

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 44.

Refer to note 53 for committed expenditure.

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

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 asset's title deeds.

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

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

WIP Categories

	2024	2023	2024	2023
Buildings	85 785 603	218 680 814	85 785 603	218 680 814
Community facilities	136 670 573	300 392 578	136 670 573	300 392 578
Electricity	48 811 905	76 913 399	48 811 905	76 913 399
Other assets	57 197 519	105 662 298	57 197 519	105 662 298
Roads	1 257 975 620	1 553 660 623	1 257 975 620	1 553 660 623
Sanitation	591 950 758	577 063 748	591 950 758	577 063 748
Water supply	276 773 963	391 320 920	276 773 963	391 320 920
	2 455 165 941	3 223 694 380	2 455 165 941	3 223 694 380

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

Contract

KWT WWTW Phase 2
Water World

Reasons

Project has been halted pending finalisation of the litigation process
The contractor abandoned the site and the contract has since been terminated. The construction works were halted pending finalisation of the arbitration process.

CNIP Victims project
EL Sewer diversion
Posdam Ikhwezi Block 1

Project has been halted pending finalisation of the litigation process.
Project has been halted pending finalisation of the litigation process.
This project was terminated due to poor performance of the contractor and there were issues of non-payment of materials by the contractor resulting to them being litigated by the suppliers. The entity has appointed a replacement contractor to complete and finalise the work that was left incomplete by the previous contractor.

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 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

5. Intangible assets

Economic entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	43 763 550	(36 516 421)	7 247 129	43 566 087	(34 523 358)	9 042 729
Controlling entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	38 686 800	(31 923 020)	6 763 780	38 686 800	(30 381 040)	8 305 760

Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	9 042 729	197 463	(1 993 063)	7 247 129

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 - Controlling entity - 2024

	Opening balance	Amortisation	Total
Computer software	8 305 760	(1 541 980)	6 763 780

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

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 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

6. Heritage assets

Economic entity	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	10 998 644	-	10 998 644	10 062 384	-	10 062 384
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	17 996 945	-	17 996 945	18 050 426	-	18 050 426
Total	54 060 071	-	54 060 071	53 177 292	-	53 177 292

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	10 998 644	-	10 998 644	10 062 384	-	10 062 384
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	17 996 945	-	17 996 945	18 050 426	-	18 050 426
Total	54 060 071	-	54 060 071	53 177 292	-	53 177 292

Reconciliation of heritage assets Economic entity - 2024

	Opening balance	Additions	Impairment	Total
Monuments	10 062 384	1 180 000	(243 740)	10 998 644
Memorials	2 866 049	-	-	2 866 049
Historical buildings & sites	22 198 433	-	-	22 198 433
Other Heritage sites	18 050 426	-	(53 481)	17 996 945
	53 177 292	1 180 000	(297 221)	54 060 071

Reconciliation of heritage assets Economic entity - 2023

	Opening balance	Additions	Total
Historical monuments	9 731 384	331 000	10 062 384
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
	52 846 292	331 000	53 177 292

Reconciliation of heritage assets - Controlling entity - 2024

	Opening balance	Additions	Impairment	Total
Monuments	10 062 384	1 180 000	(243 740)	10 998 644
Memorials	2 866 049	-	-	2 866 049
Historical buildings & sites	22 198 433	-	-	22 198 433
Other Heritage sites	18 050 426	-	(53 481)	17 996 945
	53 177 292	1 180 000	(297 221)	54 060 071

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

6. Heritage assets (continued)

Reconciliation of heritage assets - Controlling entity - 2023

	Opening balance	Additions	Total
Monuments	9 731 384	331 000	10 062 384
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
	52 846 292	331 000	53 177 292

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

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

7. Investment in associates

Investments in controlled entities

Name	Principal activity	Economic Entity		Controlling Entity	
		Carrying amount 2024	Carrying amount 2023	Carrying amount 2024	Carrying amount 2023
Buffalo City Metropolitan Development Agency SOC Ltd	Tourism and development throughout the City.	-	-	100	100
% holding		-	-	100 %	100 %

Name	Principal activity	Economic Entity		Controlling Entity	
		Carrying amount 2024	Carrying amount 2023	Carrying amount 2024	Carrying amount 2023
East London Industrial Development Zone (Pty) Ltd	Development of East London's Industrial Development Zone.	726 924 658	686 174 352	726 924 658	686 174 352
% holding		26 %	26 %	26 %	26 %
		726 924 658	686 174 352	726 924 658	686 174 352

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

Movements in carrying amount

Opening balance	686 174 352	706 317 270	686 174 352	706 317 270
Other movement	40 750 306	(20 142 918)	40 750 306	(20 142 918)
	726 924 658	686 174 352	726 924 658	686 174 352

Investment in associate at 30 June 2024 amounted to R726 924 658 (2023: R686 174 352).

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	774 598 968	730 693 321	774 598 968	730 693 321
Total liabilities	(47 674 050)	(44 518 709)	(47 674 050)	(44 518 709)
Total equity	726 924 658	686 174 352	726 924 658	686 174 352
Share in surplus/(deficit) for the year	40 750 306	(20 142 918)	40 750 306	(20 142 918)
Surplus - opening balance	686 174 352	706 317 270	686 174 352	706 317 270

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 2023 to 31 March 2024.

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 2023 - 31 March 2024.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *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	313 510 422	294 918 863	313 510 422	294 918 863
Non-current assets	2 665 716 379	2 515 440 063	2 665 716 379	2 515 440 063
Current liabilities	(183 361 732)	(171 225 804)	(183 361 732)	(171 225 804)
Revenue	615 644 406	475 091 045	615 644 406	475 091 045
Expenditure	(456 772 526)	(550 462 903)	(456 772 526)	(550 462 903)
Tax expense	(2 139 933)	(2 100 905)	(2 139 933)	(2 100 905)
Surplus or (deficit)	156 731 947	(77 472 763)	156 731 947	(77 472 763)

8. Inventories

Electricity store (Electrical maintenance parts)	36 572 721	21 198 523	36 572 721	21 198 523
Workshop store (Mechanical maintenance parts)	1 217 450	511 756	1 217 450	511 756
Water store (Water maintenance parts)	10 170 678	9 660 148	10 170 678	9 660 148
Unsold water (Treated water in pipelines & reservoirs)	9 051 949	7 895 122	9 051 949	7 895 122
General stores (Chiselhurst, Mdantsane, KWT)	12 640 345	11 742 264	12 600 385	11 679 877
	69 653 143	51 007 813	69 613 183	50 945 426
Inventories (write-downs)	(254 747)	(161 416)	(266 513)	(138 990)
	69 398 396	50 846 397	69 346 670	50 806 436

Refer to note 37 Inventory consumed for the amount of inventory expensed during the year.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
9. Receivables from non-exchange transactions				
Other debtors	30 642 705	28 640 523	30 642 705	28 640 523
Traffic fines	184 462 867	253 081 624	184 462 867	253 081 624
Allowance for impairment - Traffic fines	(157 378 307)	(216 036 445)	(157 378 307)	(216 036 445)
Property rates	11 1 842 351 216	1 399 155 694	1 842 351 216	1 399 155 694
Allowance for impairment - Property rates	11 (968 617 858)	(760 836 512)	(968 617 858)	(760 836 512)
Other receivables (billing)	11 344 933 363	284 938 435	344 933 363	284 938 435
Allowance for impairment - Other receivables (billing)	11 (79 256 411)	(116 473 307)	(79 256 411)	(116 473 307)
	1 197 137 575	872 470 012	1 197 137 575	872 470 012
Statutory receivables included in receivables from non-exchange transactions above are as follows:				
Property rates - Gross	1 842 351 216	1 399 155 694	1 842 351 216	1 399 155 694
Property rates - Impairment	(968 617 858)	(760 836 512)	(968 617 858)	(760 836 512)
Traffic fines - Gross	184 462 867	253 081 624	184 462 867	253 081 624
Traffic fines - Impairment	(157 378 307)	(216 036 445)	(157 378 307)	(216 036 445)
	900 817 918	675 364 361	900 817 918	675 364 361
Financial asset receivables included in receivables from non-exchange transactions above	23 296 319 657	197 105 651	296 319 657	197 105 651
Total receivables from non-exchange transactions	1 197 137 575	872 470 012	1 197 137 575	872 470 012
Traffic fines				
Opening Balance - Total Outstanding Fines (Based on prior 3 years)	253 081 624	272 165 361	253 081 624	272 165 361
Less: Outstanding Fines in respect of prior third year	(123 360 257)	(66 234 022)	(123 360 257)	(66 234 022)
Total Traffic Fines Issued BCMM	69 341 594	67 657 340	69 341 594	67 657 340
Traffic Fines withdrawn, untraceable and uncollectable	(3 957 950)	(8 999 425)	(3 957 950)	(8 999 425)
Traffic Fines Paid	(10 642 144)	(11 507 630)	(10 642 144)	(11 507 630)
Total Outstanding Fines	184 462 867	253 081 624	184 462 867	253 081 624
Impairment (Based on a probability collection factor of approx. 15% - 2024 and 15% - 2023)	(157 378 307)	(216 036 445)	(157 378 307)	(216 036 445)
	27 084 560	37 045 179	27 084 560	37 045 179

The amount of the contribution to impairment for traffic fines was R65 383 644 (2023: R(58 657 915)).

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 2024, other receivables from non-exchange transactions of R (1 047 874 269) (2023: R (877 309 819)) were impaired and provided for.

The amount of the contribution to impairment was R(309 965 321) (2023: R(310 827 450)).

Amounts totalling R139 400 871 (2023: R194 730 149) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2023: 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 42). 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

9. Receivables from non-exchange transactions (continued)

Statutory receivable disclosure

Property rates - Gross ageing

Current (0 -30 days)	164 201 372	96 255 373	164 201 372	96 255 373
31 - 60 days	81 434 790	62 139 174	81 434 790	62 139 174
61 - 90 days	66 659 613	48 966 431	66 659 613	48 966 431
91 - 120 days	65 033 663	43 441 209	65 033 663	43 441 209
121 - 365 days	450 917 308	314 575 496	450 917 308	314 575 496
> 365 days	1 014 104 470	833 778 010	1 014 104 470	833 778 010
	1 842 351 216	1 399 155 693	1 842 351 216	1 399 155 693

Property rates - Impairment ageing

Current (0 -30 days)	(86 329 023)	(50 015 303)	(86 329 023)	(50 015 303)
31 - 60 days	(42 814 416)	(33 901 168)	(42 814 416)	(33 901 168)
61 - 90 days	(35 046 353)	(26 714 536)	(35 046 353)	(26 714 536)
91 - 120 days	(34 191 509)	(23 700 150)	(34 191 509)	(23 700 150)
121 - 365 days	(237 070 192)	(171 622 442)	(237 070 192)	(171 622 442)
> 365 days	(533 166 364)	(454 882 913)	(533 166 364)	(454 882 913)
	(968 617 857)	(760 836 512)	(968 617 857)	(760 836 512)

Property Rates - Consumer debtors past due but not impaired

Current (0 -30 days)	77 872 349	46 240 070	77 872 349	46 240 070
31 - 60 days	38 620 374	28 238 006	38 620 374	28 238 006
61 - 90 days	31 613 260	22 251 895	31 613 260	22 251 895
91 - 120 days	30 842 154	19 741 059	30 842 154	19 741 059
121 - 365 days	213 847 116	142 953 054	213 847 116	142 953 054
> 365 days	480 938 106	378 895 098	480 938 106	378 895 098
	873 733 359	638 319 182	873 733 359	638 319 182

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	1 024 057 838	841 660 331	1 024 057 838	841 660 331
Consumer debtors - Electricity - Impairment	11	(845 990 795)	(632 712 764)	(845 990 795)	(632 712 764)
Consumer debtors - Water - Gross	11	2 631 725 468	2 187 314 438	2 631 725 468	2 187 314 438
Consumer debtors - Water - Impairment	11	(2 039 464 189)	(1 680 195 108)	(2 039 464 189)	(1 680 195 108)
Consumer debtors - Waste water - Gross	11	809 113 544	634 146 914	809 113 544	634 146 914
Consumer debtors - Waste water - Impairment	11	(478 072 996)	(377 404 128)	(478 072 996)	(377 404 128)
Consumer debtors - Refuse - Gross	11	1 011 090 602	790 836 598	1 011 090 602	790 836 598
Consumer debtors - Refuse - impairment	11	(534 341 592)	(428 239 939)	(534 341 592)	(428 239 939)
Consumer debtors - Rental debtors - Gross	11	59 080 298	58 910 109	59 080 298	58 910 109
Consumer debtors - Rental debtors - Impairment	11	(41 002 078)	(30 297 547)	(41 002 078)	(30 297 547)
Accrued income		365 089 017	408 831 736	365 089 017	408 831 736
VAT accrual on payables	22	133 933 071	125 736 639	132 706 943	126 380 603
VAT control	22	49 847 072	43 779 987	49 729 899	43 752 605
Other debtors		-	-	-	6 397 352
Sundry debtors - BCMDA		111 728	1 903 643	-	-
		2 145 176 988	1 944 270 909	2 143 721 959	1 949 381 200

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

10. Receivables from exchange transactions (continued)

Statutory receivables included in receivables from exchange transactions above are as follows:

VAT Accrual	132 706 943	126 380 603	132 706 943	126 380 603
VAT Control	49 729 899	43 752 605	49 729 899	43 752 605

Total statutory receivables included above	182 436 842	170 133 208	182 436 842	170 133 208
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Total financial asset receivables included above	23	1 962 740 146	1 774 137 701	1 961 285 117	1 779 247 992
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Total receivables from exchange transactions		2 145 176 988	1 944 270 909	2 143 721 959	1 949 381 200
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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 2024, trade and other receivables of R (3 938 871 651) (2023: R (3 148 849 486)) were impaired and provided for. The amount of the contribution to impairment was R(1 112 530 739) (2023: R(688 558 231)).

Amounts totalling as of 30 June 2024 R322 508 574 (2023: R346 651 305) were written off as uncollectable against the debt impairment allowance account. This represents 4% (2023: 4%) of the total operating income for the year.

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

In terms of the arrangements to repay rates and services debt as at 30 June 2024, 4 169 (2023: 3 027) debtors had active outstanding arrangements to the value of R286 199 244 (2023: R62 719 390). 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	1 842 351 216	1 399 155 694	1 842 351 216	1 399 155 694
Consumer debtors - Electricity	10	1 024 057 838	841 660 331	1 024 057 838	841 660 331
Consumer debtors - Water	10	2 631 725 468	2 187 314 438	2 631 725 468	2 187 314 438
Consumer debtors - Waste water	10	809 113 544	634 146 914	809 113 544	634 146 914
Consumer debtors - Refuse	10	1 011 090 602	790 836 598	1 011 090 602	790 836 598
Consumer debtors - Rental debtors	10	59 080 298	58 910 109	59 080 298	58 910 109
Consumer debtors - Other receivables (billing)	9	344 933 363	284 938 435	344 933 363	284 938 435

7 722 352 329	6 196 962 519	7 722 352 329	6 196 962 519
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Less: Allowance for impairment

Consumer debtors - Rates	9	(968 617 858)	(760 836 512)	(968 617 858)	(760 836 512)
Consumer debtors - Electricity	10	(845 990 795)	(632 712 764)	(845 990 795)	(632 712 764)
Consumer debtors - Water	10	(2 039 464 189)	(1 680 195 108)	(2 039 464 189)	(1 680 195 108)
Consumer debtors - Waste water	10	(478 072 996)	(377 404 128)	(478 072 996)	(377 404 128)
Consumer debtors - Refuse	10	(534 341 592)	(428 239 939)	(534 341 592)	(428 239 939)
Consumer debtors - Rental debtors	10	(41 002 078)	(30 297 547)	(41 002 078)	(30 297 547)
Consumer debtors - Other receivables (billing)	9	(79 256 411)	(116 473 307)	(79 256 411)	(116 473 307)

(4 986 745 919)	(4 026 159 305)	(4 986 745 919)	(4 026 159 305)
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Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2024	2023 *Restated	2024	2023 *Restated
11. Consumer debtors' disclosure (continued)					
Net balance					
Consumer debtors - Rates	9	873 733 358	638 319 182	873 733 358	638 319 182
Consumer debtors - Electricity	10	178 067 043	208 947 567	178 067 043	208 947 567
Consumer debtors - Water	10	592 261 279	507 119 330	592 261 279	507 119 330
Consumer debtors - Waste water	10	331 040 548	256 742 786	331 040 548	256 742 786
Consumer debtors - Refuse	10	476 749 010	362 596 659	476 749 010	362 596 659
Consumer debtors - Rental debtors	10	18 078 220	28 612 562	18 078 220	28 612 562
Consumer debtors - Other receivables (billing)	9	265 676 952	168 465 128	265 676 952	168 465 128
		2 735 606 410	2 170 803 214	2 735 606 410	2 170 803 214
Statutory receivables included in consumer debtors above are as follows:					
Consumer debtors - Rates		873 733 358	638 319 182	873 733 358	638 319 182
Financial asset receivables included in consumer debtors above		1 861 873 052	1 532 484 032	1 861 873 052	1 532 484 032
Total consumer debtors		2 735 606 410	2 170 803 214	2 735 606 410	2 170 803 214
Included in above is receivables from exchange transactions					
Electricity		178 067 043	208 947 567	178 067 043	208 947 567
Water		592 261 279	507 119 330	592 261 279	507 119 330
Waste water		331 040 548	256 742 786	331 040 548	256 742 786
Refuse		476 749 010	362 596 659	476 749 010	362 596 659
Rental debtors		18 078 220	28 612 562	18 078 220	28 612 562
		1 596 196 100	1 364 018 904	1 596 196 100	1 364 018 904
Included in above is receivables from non-exchange transactions (taxes and transfers)					
Rates		873 733 358	638 319 182	873 733 358	638 319 182
Other receivables (billing)		265 676 952	168 465 128	265 676 952	168 465 128
		1 139 410 310	806 784 310	1 139 410 310	806 784 310
Net balance		2 735 606 410	2 170 803 214	2 735 606 410	2 170 803 214
Rates					
Current (0 -30 days)		164 201 372	96 255 373	164 201 372	96 255 373
31 - 60 days		81 434 790	62 139 174	81 434 790	62 139 174
61 - 90 days		66 659 613	48 966 431	66 659 613	48 966 431
91 - 120 days		65 033 663	43 441 209	65 033 663	43 441 209
121 - 365 days		450 917 308	314 575 496	450 917 308	314 575 496
> 365 days		1 014 104 470	833 778 011	1 014 104 470	833 778 011
		1 842 351 216	1 399 155 694	1 842 351 216	1 399 155 694
Electricity					
Current (0 -30 days)		335 105 614	188 048 709	335 105 614	188 048 709
31 - 60 days		48 315 034	33 937 954	48 315 034	33 937 954
61 - 90 days		34 820 124	27 367 520	34 820 124	27 367 520
91 - 120 days		22 955 932	23 054 773	22 955 932	23 054 773
121 - 365 days		162 037 457	158 432 650	162 037 457	158 432 650
> 365 days		420 823 677	410 818 725	420 823 677	410 818 725
		1 024 057 838	841 660 331	1 024 057 838	841 660 331

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
11. Consumer debtors' disclosure (continued)				
Water				
Current (0 -30 days)	206 149 478	62 825 168	206 149 478	62 825 168
31 - 60 days	62 561 439	59 896 714	62 561 439	59 896 714
61 - 90 days	73 312 866	51 125 320	73 312 866	51 125 320
91 - 120 days	67 732 824	48 227 343	67 732 824	48 227 343
121 - 365 days	469 182 489	362 471 586	469 182 489	362 471 586
> 365 days	1 752 786 372	1 602 768 307	1 752 786 372	1 602 768 307
	2 631 725 468	2 187 314 438	2 631 725 468	2 187 314 438
Waste water				
Current (0 -30 days)	68 005 834	60 636 741	68 005 834	60 636 741
31 - 60 days	26 872 154	22 113 278	26 872 154	22 113 278
61 - 90 days	24 434 472	17 319 111	24 434 472	17 319 111
91 - 120 days	23 353 118	15 321 237	23 353 118	15 321 237
121 - 365 days	172 158 011	118 322 314	172 158 011	118 322 314
> 365 days	494 289 955	400 434 233	494 289 955	400 434 233
	809 113 544	634 146 914	809 113 544	634 146 914
Refuse				
Current (0 -30 days)	46 406 927	66 808 721	46 406 927	66 808 721
31 - 60 days	30 849 553	22 848 711	30 849 553	22 848 711
61 - 90 days	28 129 760	19 655 782	28 129 760	19 655 782
91 - 120 days	30 072 166	18 100 409	30 072 166	18 100 409
121 - 365 days	223 593 660	146 265 480	223 593 660	146 265 480
> 365 days	652 038 536	517 157 495	652 038 536	517 157 495
	1 011 090 602	790 836 598	1 011 090 602	790 836 598
Rental debtors				
Current (0 -30 days)	1 540 579	2 142 877	1 540 579	2 142 877
31 - 60 days	1 105 690	1 381 408	1 105 690	1 381 408
61 - 90 days	793 334	1 248 838	793 334	1 248 838
91 - 120 days	880 187	1 188 706	880 187	1 188 706
121 - 365 days	10 246 251	9 355 050	10 246 251	9 355 050
> 365 days	44 514 257	43 593 230	44 514 257	43 593 230
	59 080 298	58 910 109	59 080 298	58 910 109
Other receivables (billing)				
Current (0 -30 days)	16 698 149	16 628 402	16 698 149	16 628 402
31 - 60 days	7 965 221	6 361 345	7 965 221	6 361 345
61 - 90 days	7 174 203	5 623 286	7 174 203	5 623 286
91 - 120 days	7 617 681	5 057 459	7 617 681	5 057 459
121 - 365 days	58 600 299	43 928 885	58 600 299	43 928 885
> 365 days	246 877 810	207 339 058	246 877 810	207 339 058
	344 933 363	284 938 435	344 933 363	284 938 435

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
11. Consumer debtors' disclosure (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	372 137 250	284 327 954	372 137 250	284 327 954
31 - 60 days	176 505 385	139 873 427	176 505 385	139 873 427
61 - 90 days	172 177 885	117 033 364	172 177 885	117 033 364
91 - 120 days	166 215 959	109 180 580	166 215 959	109 180 580
121 - 365 days	1 228 141 289	852 726 412	1 228 141 289	852 726 412
> 365 days	3 933 243 856	3 367 249 079	3 933 243 856	3 367 249 079
	6 048 421 624	4 870 390 816	6 048 421 624	4 870 390 816
Less: Allowance for impairment	(4 269 575 001)	(3 446 674 506)	(4 269 575 001)	(3 446 674 506)
	1 778 846 623	1 423 716 310	1 778 846 623	1 423 716 310
Industrial/ commercial				
Current (0 -30 days)	417 677 550	171 695 716	417 677 550	171 695 716
31 - 60 days	70 255 253	61 707 956	70 255 253	61 707 956
61 - 90 days	55 577 831	50 649 672	55 577 831	50 649 672
91 - 120 days	45 267 601	43 473 807	45 267 601	43 473 807
121 - 365 days	305 993 017	287 115 906	305 993 017	287 115 906
> 365 days	677 583 476	634 744 657	677 583 476	634 744 657
	1 572 354 728	1 249 387 714	1 572 354 728	1 249 387 714
Less: Allowance for impairment	(717 170 918)	(579 484 799)	(717 170 918)	(579 484 799)
	855 183 810	669 902 915	855 183 810	669 902 915
National and provincial government				
Current (0 -30 days)	48 293 153	36 919 847	48 293 153	36 919 847
31 - 60 days	12 343 242	7 097 201	12 343 242	7 097 201
61 - 90 days	7 568 656	3 623 253	7 568 656	3 623 253
91 - 120 days	6 162 011	1 736 748	6 162 011	1 736 748
121 - 365 days	12 601 167	13 509 144	12 601 167	13 509 144
> 365 days	14 607 747	14 297 798	14 607 747	14 297 798
	101 575 976	77 183 991	101 575 976	77 183 991
Total				
Current (0 -30 days)	838 107 953	492 943 517	838 107 953	492 943 517
31 - 60 days	259 103 880	208 678 583	259 103 880	208 678 583
61 - 90 days	235 324 372	171 306 288	235 324 372	171 306 288
91 - 120 days	217 645 571	154 391 135	217 645 571	154 391 135
121 - 365 days	1 546 735 474	1 153 351 462	1 546 735 474	1 153 351 462
> 365 days	4 625 435 080	4 016 291 534	4 625 435 080	4 016 291 534
	7 722 352 330	6 196 962 519	7 722 352 330	6 196 962 519
Less: Allowance for impairment	(4 986 745 920)	(4 026 159 305)	(4 986 745 920)	(4 026 159 305)
	2 735 606 410	2 170 803 214	2 735 606 410	2 170 803 214
Less: Allowance for impairment				
Current (0 -30 days)	(541 212 216)	(300 453 616)	(541 212 216)	(300 453 616)
31 - 60 days	(167 317 569)	(136 364 801)	(167 317 569)	(136 364 801)
61 - 90 days	(151 961 838)	(111 943 197)	(151 961 838)	(111 943 197)
91 - 120 days	(140 545 668)	(100 889 684)	(140 545 668)	(100 889 684)
121 - 365 days	(998 811 823)	(753 678 407)	(998 811 823)	(753 678 407)
> 365 days	(2 986 896 806)	(2 622 829 601)	(2 986 896 806)	(2 622 829 601)
	(4 986 745 920)	(4 026 159 306)	(4 986 745 920)	(4 026 159 306)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

11. Consumer debtors' disclosure (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(4 026 159 305)	(3 568 155 078)	(4 026 159 305)	(3 568 155 078)
Contributions to allowance	(1 422 496 060)	(999 385 681)	(1 422 496 060)	(999 385 681)
Bad debts written off against allowance	461 909 445	541 381 454	461 909 445	541 381 454
	(4 986 745 920)	(4 026 159 305)	(4 986 745 920)	(4 026 159 305)

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

Balance at beginning of the year		(4 026 159 305)	(3 568 155 078)	(4 026 159 305)	(3 568 155 078)
Contributions to allowance - Receivable from non-exchange transaction	9	(309 965 321)	(310 827 450)	(309 965 321)	(310 827 450)
Contributions to allowance - Receivable from exchange transaction	10	(1 112 530 739)	(688 558 231)	(1 112 530 739)	(688 558 231)
Bad debts written off - Receivable from non-exchange transaction	9	139 400 871	194 730 149	139 400 871	194 730 149
Bad debts written off - Receivable from exchange transaction	10	322 508 574	346 651 305	322 508 574	346 651 305
		(4 986 745 920)	(4 026 159 305)	(4 986 745 920)	(4 026 159 305)

Contribution of allowance for impairment - Receivable from non-exchange transaction includes VAT of R(5 367 598) : 2023: R(11 745 972) , amount recognised in Statement of Financial Performance is R304 597 723 : 2023: R299 081 478 Refer to note 42

Contribution of allowance for impairment - Receivable from exchange transaction includes VAT of R(145 112 705) : 2023: R(89 811 943) , amount recognised in Statement of Financial Performance is R967 418 034 : 2023: R598 746 287 Refer to note 42

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)	296 895 737	192 489 902	296 895 737	192 489 902
31 - 60 days	91 786 311	72 313 783	91 786 311	72 313 783
61 - 90 days	83 362 534	59 363 091	83 362 534	59 363 091
91 - 120 days	77 099 903	53 501 451	77 099 903	53 501 451
121 - 365 days	547 923 650	399 673 055	547 923 650	399 673 055
> 365 days	1 638 538 273	1 393 461 933	1 638 538 273	1 393 461 933
	2 735 606 408	2 170 803 215	2 735 606 408	2 170 803 215

The ageing of consumer debts impaired

Current (0 -30 days)	541 212 216	300 453 616	541 212 216	300 453 616
31 - 60 days	167 317 569	136 364 801	167 317 569	136 364 801
61 - 90 days	151 961 838	111 943 197	151 961 838	111 943 197
91 - 120 days	140 545 668	100 889 684	140 545 668	100 889 684
121 - 365 days	998 811 823	753 678 407	998 811 823	753 678 407
> 365 days	2 986 896 806	2 622 829 601	2 986 896 806	2 622 829 601
	4 986 745 920	4 026 159 306	4 986 745 920	4 026 159 306

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	95 390	94 057	93 784	94 032
Bank balances	142 470 955	133 546 912	105 248 519	113 560 363
Short-term deposits	578 420 212	546 334 028	578 420 212	546 334 028
	720 986 557	679 974 997	683 762 515	659 988 423

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

BCMET	4 440 710	4 097 468	4 440 710	4 097 468
Own funding (operating account commitments)	573 979 502	542 236 560	573 979 502	542 236 560
	578 420 212	546 334 028	578 420 212	546 334 028

Call and short-term deposits per institution

Absa (interest rate range 8.05% 2023: 5.30% - 7.55%)	129 996 846	96 450 584	129 996 846	96 450 584
Nedbank (interest rate range 8.05% 2023: 5.30% - 9.21%)	158 159 726	136 710 035	158 159 726	136 710 035
FNB (interest rate range 8.05% - 8.10% 2023: 5.30% - 9.03%)	173 896 034	146 229 042	173 896 034	146 229 042
Standard Bank (interest rate range 8.05% 2023: 6.66% - 9.00%)	59 798 858	118 327 146	59 798 858	118 327 146
Stanlib (interest rate range 8.05% - 8.10% 2023: 7.78% - 7.78%)	52 128 038	44 519 753	52 128 038	44 519 753
BCMET: Absa - Standard Bank (interest rate range 8.05% 2023 5.30% - 9.00%)	4 440 710	4 097 468	4 440 710	4 097 468
	578 420 212	546 334 028	578 420 212	546 334 028

There is a significant rise in interest rates between the 2023 and 2024 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 R17 990 691 (2023: R23 828 947)

Refer to note 30 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 2024	30 June 2023	30 June 2024	30 June 2023
STANDARD BANK - Primary Account - 081-166-702	82 062 029	98 200 640	82 783 848	(173 110 285)
STANDARD BANK - Market Account - 081-167-873	9 206 515	4 181 974	3 156 994	2 320 856
STANDARD BANK - Prism Account - 081-167-776	-	-	19 307 677	284 349 792
STANDARD BANK - Imprest Account 081-168-098	-	274	-	-
First National Bank - Public Sector Cheque Account - 620- 9871-7899	7 850 478	1 535 629	7 850 478	1 535 629
First National Bank - Commercial Money Market Account - 620-9871-9358	21 942 780	18 008 837	21 942 780	18 008 837
First National Bank - Public Sector Cheque Account - 629- 0192-1983	7 429 178	442 083	7 429 178	442 083
Total	128 490 980	122 369 437	142 470 955	133 546 912

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

13. Revaluation reserve

Opening balance	16 454 472 359	15 602 614 525	16 454 472 359	15 602 614 525
Change during the year	5 209 635 868	851 857 834	5 209 635 868	851 857 834
	21 664 108 227	16 454 472 359	21 664 108 227	16 454 472 359

14. Operating lease liability

Current liabilities	152 657	89 315	-	-
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The Agency entered into lease agreements for its two multifunctional printers and office space. GRAP 13 requires straightlining of the lease payments over the duration of the lease term. The lease for the office space has an escalation clause of 7% per annum and 9% in the two subsequent years. The above operating lease accrual is therefore as a result of adhering with the standard.

15. Employee benefit obligations

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

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	837 261 000	774 719 000	837 261 000	774 719 000
Non-current liabilities	(770 563 000)	(715 349 000)	(770 563 000)	(715 349 000)
Current liabilities	(66 698 000)	(59 370 000)	(66 698 000)	(59 370 000)
Net liability	(837 261 000)	(774 719 000)	(837 261 000)	(774 719 000)

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

Opening balance	774 719 000	854 876 000	774 719 000	854 876 000
Service cost	45 409 000	49 751 000	45 409 000	49 751 000
Interest cost	89 607 000	100 751 000	89 607 000	100 751 000
Remeasurements	(13 104 000)	(201 511 000)	(13 104 000)	(201 511 000)
Contributions / payments by employer	(59 370 000)	(29 148 000)	(59 370 000)	(29 148 000)
	837 261 000	774 719 000	837 261 000	774 719 000

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

Service cost	45 409 000	49 751 000	45 409 000	49 751 000
- Current service cost	45 409 000	49 751 000	45 409 000	49 751 000
Net interest on the net defined benefit liability	89 607 000	100 751 000	89 607 000	100 751 000
Remeasurements of the net defined benefit liability	-	-	-	-
- Actuarial gains and losses arising from:				
- Changes in financial assumptions	(13 104 000)	(201 511 000)	(13 104 000)	(201 511 000)
- Experience adjustments	(10 213 000)	(121 412 000)	(10 213 000)	(121 412 000)
	(2 891 000)	(80 099 000)	(2 891 000)	(80 099 000)
Contributions / payments by employer	(59 370 000)	(29 148 000)	(59 370 000)	(29 148 000)
Net costs per Statement of Financial Performance	62 542 000	(80 157 000)	62 542 000	(80 157 000)

36

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

15. Employee benefit obligations (continued)

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

Present value of the defined benefit obligation	560 619 000	511 671 000	560 619 000	511 671 000
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	511 671 000	533 475 000	511 671 000	533 475 000
Service cost	21 896 000	22 208 000	21 896 000	22 208 000
Interest costs	62 565 000	63 160 000	62 565 000	63 160 000
Remeasurements	(15 017 000)	(86 291 000)	(15 017 000)	(86 291 000)
Contributions / payments by employer	(20 496 000)	(20 881 000)	(20 496 000)	(20 881 000)
	560 619 000	511 671 000	560 619 000	511 671 000

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

Service cost	21 896 000	22 208 000	21 896 000	22 208 000
- Current service cost	21 896 000	22 208 000	21 896 000	22 208 000
Net interest on the net defined benefit liability	62 565 000	63 160 000	62 565 000	63 160 000
Remeasurements of the net defined benefit liability	-	-	-	-
- Actuarial gains and losses arising from:	(15 017 000)	(86 291 000)	(15 017 000)	(86 291 000)
- Changes in financial assumptions	(7 954 000)	(84 620 000)	(7 954 000)	(84 620 000)
- Experience adjustments	(7 063 000)	(1 671 000)	(7 063 000)	(1 671 000)
Contributions / payments by employer	(20 496 000)	(20 881 000)	(20 496 000)	(20 881 000)
	48 948 000	(21 804 000)	48 948 000	(21 804 000)

The best estimates for the employer benefit payments in the 2024/25 financial period is expected to be R25 097 000 (The actual employer benefit payments in the 2023/24 financial period was R20 496 000).

The municipality's defined benefit obligation as at 30 June 2024 was estimated to be R 560 619 000. Since there is no plan asset, this is also the municipality's net defined benefit liability. The current service cost was estimated to be R 21 896 000 for the year ending 30 June 2024, and R 23 180 000 for the ensuing year. Since there is no past service cost, the service cost is equal to the current service cost.

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

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

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

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
15. Employee benefit obligations (continued)				
Key assumptions used				
Assumptions used at the reporting date:				
Discount rates used	12.23 %	12.47 %	12.23 %	12.47 %
CPI (Consumer Price Inflation)	6.21 %	6.58 %	6.21 %	6.58 %
Health care cost inflation rate	7.71 %	8.08 %	7.71 %	8.08 %
Net-of-health-care-cost-inflation discount rate	4.20 %	4.06 %	4.20 %	4.06 %
Maximum subsidy inflation rate	5.41 %	5.69 %	5.41 %	5.69 %
Net-of-maximum-subsidy-inflation discount rate	6.47 %	6.42 %	6.47 %	6.42 %
Continuation of membership at retirement	75.00 %	75.00 %	75.00 %	75.00 %
Proportion with a spouse dependent at retirement	60.00 %	60.00 %	60.00 %	60.00 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	10.00 %	10.00 %	10.00 %	10.00 %
Average retirement age	62	62	62	62
Mortality during employment	SA 85-90	SA 85-90	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Comparison of in-service members statistics				
Total number of eligible employees	5 067	5 234	5 067	5 234
Number of in-service members	3 407	3 388	3 407	3 388
Average age	47	46	46.8	46.3
Average past service	13.60	13.20	13.6	13.2
Average current value of post-employment subsidy p.m.	R 3 015	R 2 820	R 3 015	R 2 820
Comparison of in-service non-members statistics				
Number of in-service non-members	1 660	1 846	1 660	1 846
Average age	47.5	46.7	47.5	46.7
Average past service	12.6	11.7	12.6	11.7
Average current value of post-employment subsidy p.m.	R 3 174	R 2 844	R 3 174	R 2 844
Continuation members				
Number of principal members	488	474	488	474
Proportion with a spouse dependent	38 %	38 %	38%	38%
Average age of members	72.8	73.0	72.8	73.0
Average subsidy per month	R 3 767	R 3 554	R 3 767	R 3 554

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

15. Employee benefit obligations (continued)

Sensitivity Results

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

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

Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total	% change
Central assumptions		346.374	214.245	560.619	
Medical aid contribution inflation rate	+1%	378.475	227.239	605.714	8%
	-1%	308.084	201.039	509.123	-9%
Discount rate	+1%	297.925	199.182	497.107	-11%
	-1%	406.738	231.597	638.335	14%
Post-employment mortality	+1 yr	338.830	207.299	546.129	-3%
	-1 yr	353.712	221.199	574.911	3%
Average retirement age	-1 yr	383.788	214.245	598.033	7%
Membership continuation	-10%	300.190	214.245	514.435	-8%

Sensitivity analysis on current service and interest costs for year ending 30/06/2024

Assumption	Change	Current-Svc. Cost	Interest Cost	Total Cost	% change
Central assumptions		21 896 000	62 565 000	84 461 000	
Medical aid contribution 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%

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

15. Employee benefit obligations (continued)

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

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

Net Defined Benefit Liability History	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024
Defined benefit obligation	454.831	512.157	533.474	511.671	560.619
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Net defined benefit liability	454.831	512.157	533.474	511.671	560.619

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

Experience adjustments	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024
Liabilities: (Gain) / Loss	(12.365)	55.349	50.570	(1.671)	(7.063)
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

15. Employee benefit obligations (continued)

Long service awards - Amounts recognised in the statement of financial position

Carrying value

Present value of the defined benefit obligation-wholly unfunded	276 642 000	263 048 000	276 642 000	263 048 000
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Long service awards - Changes in the present value of the defined benefit obligation are as follows:

Opening balance	263 048 000	321 401 000	263 048 000	321 401 000
Service cost	23 513 000	27 543 000	23 513 000	27 543 000
Interest costs	27 042 000	37 591 000	27 042 000	37 591 000
Remeasurements	1 913 000	(115 220 000)	1 913 000	(115 220 000)
Contributions / payments by employer	(38 874 000)	(8 267 000)	(38 874 000)	(8 267 000)
	276 642 000	263 048 000	276 642 000	263 048 000

Long service awards - Net expense recognised in the statement of financial performance are as follows:

Service cost	23 513 000	27 543 000	23 513 000	27 543 000
- Current service cost	23 513 000	27 543 000	23 513 000	27 543 000
Net interest on the net defined benefit liability	27 042 000	37 591 000	27 042 000	37 591 000
Remeasurements of the net defined benefit liability	-	-	-	-
- Actuarial gains and losses arising from:				
- Changes in financial assumptions	1 913 000	(115 220 000)	1 913 000	(115 220 000)
- Experience adjustments	(2 259 000)	(36 792 000)	(2 259 000)	(36 792 000)
	4 172 000	(78 428 000)	4 172 000	(78 428 000)
Contributions / payments by employer	(38 874 000)	(8 267 000)	(38 874 000)	(8 267 000)
	13 594 000	(58 353 000)	13 594 000	(58 353 000)

Key assumptions used

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The average expected remaining working-lifetime of eligible employees is 15.1 years (2022/23 : 15.6 years).

Assumptions used at the reporting date:

Discount rate	11.08 %	11.08 %	11.08	11.08 %
CPI inflation rate	4.98 %	5.44 %	4.98	5.44 %
Normal salary increase rate	5.98 %	6.44 %	5.98	6.44 %
Net effective discount rate	4.57 %	4.36 %	4.57	4.36 %
Number of eligible employees	5 067	5 234	5 067	5 234

Sensitivity analysis

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

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

15. Employee benefit obligations (continued)

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central assumptions		276 642 000	
General earnings inflation rate	+1%	289 890 000	5%
	-1%	264 425 000	-4%
Discount rate	+1%	262 852 000	-5%
	-1%	291 858 000	6%
Average retirement age	+2 yrs	306 630 000	11%
	-2 yrs	246 059 000	-11%
Rates of termination of service	x2	230 880 000	-17%
	x0.5	306 393 000	11%

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%
Rates of termination of service	x2	18 300 000	22 085 000	40 385 000	-20%
	x0.5	27 110 000	30 300 000	57 410 000	14%

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

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

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

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

Net Defined Benefit Liability History	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024
Defined benefit obligation	229.986	275.058	321.401	263.048	276.642
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	229.986	275.058	321.401	263.048	276.642

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 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024
Defined benefit obligation: (Gain) / Loss	18.797	5.198	25.383	(78.428)	4.172
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National Government Grants	26 189 128	11 480 457	13 966 292	10 126 655
Provincial Government Grants	7 180 860	6 763 755	7 180 860	6 763 755
Other Conditional Grants	2 318 446	1 808 826	2 318 446	1 808 826
Administrative Grants	253 912 264	235 125 652	253 912 264	235 125 652
Total	289 600 698	255 178 690	277 377 862	253 824 888

National Government	Unspent balance 2023	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2024
Financial Management Grant (FMG)	583	1 000 000	(995 426)	-	(3 339)	1 818
Neighbourhood Development Partnership Grant (NDPG)	15 028	10 000 000	-	(3 967 037)	(610 055)	5 437 936
Neighbourhood Development Partnership Grant (NDP) PEP	9 841 358	20 581 000	(25 744 624)	-	(4 676 387)	1 347
Programme and Project Preparation Support Grant (PPPSG)	717	12 908 000	(10 383 909)	-	(1 304 869)	1 219 939
Electricity Demand: Side Management Grant (EDSM)	0	-	-	-	-	-
Urban Settlement Development Grant (USDG)	65	618 034 000	(28 882 257)	(520 455 658)	(62 850 563)	5 845 587
Expanded Public Works Programme (EPWP)	985	6 093 000	(6 093 641)	-	-	344
Informal Settlements Upgrading Partnership Grant (ISUPG)	604	277 122 000	(22 946 548)	(238 791 423)	(14 079 440)	1 305 193
Infrastructure Skills Development Grant (ISDG)	113 422	10 770 000	(10 608 647)	(145 401)	(129 139)	235
Public Transport Network Grant (PTNG)	153 893	-	-	-	-	153 893
NDPG - Integrated Waste Management Grant - BCMDA	1 353 802	8 672 127	(2 913 820)	-	5 110 727	12 222 836
Total	11 480 456	965 180 127	(108 568 872)	(763 359 519)	(78 543 065)	26 189 128

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

16. Unspent conditional grants and receipts (continued)

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

Administrative Grant	Unspent balance 2023	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2024
Land Affairs - West Bank	126 460 777	10 096 538	-	-	-	136 557 315
Land Affairs - East Bank	108 664 875	8 690 074	-	-	-	117 354 949
Total	235 125 653	18 786 612	-	-	-	253 912 264

National Government (2023)	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
NDPG - Integrated Waste Management Grant - BCMDA	9 176 782	232 672	(329 172)	-	(7 726 480)	1 353 802
Total	54 978 324	851 355 672	(121 994 813)	(696 267 486)	(76 591 241)	11 480 457

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

16. Unspent conditional grants and receipts (continued)

Provincial Government (2023)	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

Other Conditional Grants (2023)	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
SALAJDA (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 (2023)	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

Though an amount of R277 377 862 is reported as unspent conditional grants, this figure includes the following:

An amount of R253 912 264 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated
17. Borrowings				
At amortised cost				
Annuity loans	108 607 631	138 853 808	108 607 631	138 853 808
Non-current liabilities				
At amortised cost	79 793 735	108 607 630	79 793 735	108 607 630
Current liabilities				
At amortised cost	28 813 896	30 246 178	28 813 896	30 246 178

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 8.26% (2023: 8.35%). Refer to note 40 for interest paid on borrowings.

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

18. Finance lease obligation

Minimum lease payments due

- within one year	177 147	-	-	-
- in second to fifth year inclusive	57 586	-	-	-
	234 733	-	-	-
less: future finance charges	(21 452)	-	-	-
Present value of minimum lease payments	213 281	-	-	-

Present value of minimum lease payments due

- within one year	157 612	-	-	-
- in second to fifth year inclusive	55 669	-	-	-
	213 281	-	-	-
Non-current liabilities	55 669	-	-	-
Current liabilities	157 612	-	-	-
	213 281	-	-	-

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

19. Provisions

Reconciliation of provisions - Economic entity - 2024

	Opening Balance	Additions	Utilised during the year	Increase	Total
Landfill sites	417 747 743	11 597 759	-	-	429 345 502
Bonus provision	59 193 058	65 743 796	(61 593 150)	3 386 397	66 730 101
	476 940 801	77 341 555	(61 593 150)	3 386 397	496 075 603

Reconciliation of provisions - Economic entity - 2023

	Opening Balance	Additions	Utilised during the year	Increase	Total
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
	478 506 686	58 389 881	(60 108 752)	152 986	476 940 801

Reconciliation of provisions - Controlling entity - 2024

	Opening Balance	Additions	Utilised during the year	Increase	Total
Landfill sites	417 747 743	11 597 759	-	-	429 345 502
Bonus provision	58 206 753	64 672 807	(61 593 150)	3 386 397	64 672 807
	475 954 496	76 270 566	(61 593 150)	3 386 397	494 018 309

Reconciliation of provisions - Controlling entity - 2023

	Opening Balance	Additions	Utilised during the year	Increase	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

Non-current liabilities	111 144 162	89 746 342	111 144 162	89 746 342
Current liabilities	384 931 441	387 194 459	382 874 147	386 208 154
	496 075 603	476 940 801	494 018 309	475 954 496

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

For the ten closed sites, in consultation with management, and through inspection of the sites, it was determined that there had been no significant changes to the utilization of the sites from the prior year. Therefore, the present values of the costs of the rehabilitation of the sites calculated in 2023 were extended for the current year. These costs were adjusted to an estimated future cost using the Cost Price Adjustments Provisions (CPAP) work group publication (an inflation-based index appropriate to general earthworks), these were then discounted to present values using the municipality's borrowing rates.

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

Assumptions used

The Cost Price Adjustments Provisions (Statistical Release: P0151.1) was taken as 5.48% (2023: Consumer Price Index at 5.4%).

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

19. Provisions (continued)

Interest rate used is BCMM's borrowing rate at 8.26% (2023: 8.35%).

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

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

The valuation for the landfill site provision in 2024 was performed by a suitably qualified and experienced team, lead by T.McNeil, who is a member of the South African Institution of Civil Engineers – Member No. 20121055 and the Institute of Waste Management Southern Africa (IWMSA) Member No. 10111146.

The expense relating to the provision of bonus is included under note 36 Employee related costs. All staff is entitled to a 13th cheque except the sec57 employees (Municipal Manager, CFO and HOD's). The 13th cheque is paid in the month that the staff member completes a years service and then annually thereafter. For the calculation of bonus provision an assumption of 5% salary increase was used.

20. Trade payables from exchange transactions

Trade payables	23	1 073 095 731	986 482 294	1 070 560 312	986 002 823
Payments received in advanced	23	310 760 240	458 557 736	310 760 240	458 557 736
Retention monies	23	86 598 788	90 208 942	82 024 940	85 635 094
Accrued leave pay	23	148 526 988	130 188 029	148 526 988	130 188 029
Deposits received	23	11 406 393	6 719 659	11 405 393	6 719 659
Other creditors	23	101 902 611	106 512 964	99 504 893	104 110 204
VAT accrual on receivables	22	21 885 028	62 006 977	19 693 077	61 910 454
		1 754 175 779	1 840 676 601	1 742 475 843	1 833 123 999

21. Consumer deposits

Electricity	53 416 427	51 819 509	53 416 427	51 819 509
Water	33 721 216	31 796 978	33 721 216	31 796 978
	87 137 643	83 616 487	87 137 643	83 616 487

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 R87 137 643 (2023: R83 616 487).

22. VAT receivable

VAT accrual on payables	10	133 933 071	125 736 639	132 706 943	126 380 603
VAT control	10	49 847 072	43 779 987	49 729 899	43 752 605
VAT accrual on receivables	20	(21 885 028)	(62 006 977)	(19 693 077)	(61 910 454)
		161 895 115	107 509 649	162 743 765	108 222 754

The above VAT receivable amount is the net amount of total VAT input R843 031 550 (June 2023: R716 521 969) less total VAT output R823 094 146 (June 2023: R699 071 926).

VAT Output includes VAT on impaired debtors of R142 806 361 (2023: R90 772 711).

VAT on impaired debtors	142 806 361	90 772 711	142 806 361	90 772 711
Output VAT	(825 286 097)	(699 688 508)	(823 094 146)	(699 071 926)
	(682 479 736)	(608 915 797)	(680 287 785)	(608 299 215)
Input VAT	844 374 851	716 425 446	843 031 550	716 521 969
	161 895 115	107 509 649	162 743 765	108 222 754

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

23. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2024

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	296 319 657	296 319 657
Trade and other receivables from exchange transactions	10	1 962 740 146	1 962 740 146
Cash and cash equivalents	12	720 986 557	720 986 557
		2 980 046 360	2 980 046 360

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	310 760 240	310 760 240
Borrowings: Other financial liabilities	17	-	108 607 631	108 607 631
Trade and other payables from exchange transactions	20	-	1 261 597 130	1 261 597 130
Consumer deposits	21	87 137 643	-	87 137 643
Other deposits	20	11 406 393	-	11 406 393
		98 544 036	1 680 965 001	1 779 509 037

Economic entity - 2023

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	197 105 651	197 105 651
Trade and other receivables from exchange transactions	10	1 774 137 701	1 774 137 701
Cash and cash equivalents	12	679 974 997	679 974 997
		2 651 218 349	2 651 218 349

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	458 557 736	458 557 736
Borrowings: Other financial liabilities	17	-	138 853 808	138 853 808
Trade and other payables from exchange transactions	20	-	1 183 204 200	1 183 204 200
Consumer deposits	21	83 616 487	-	83 616 487
Other deposits	20	6 719 659	-	6 719 659
		90 336 146	1 780 615 744	1 870 951 890

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

23. Financial instruments disclosure (continued)

Controlling entity - 2024

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	296 319 657	296 319 657
Trade and other receivables from exchange transactions	10	1 961 285 117	1 961 285 117
Cash and cash equivalents	12	683 762 515	683 762 515
		2 941 367 289	2 941 367 289

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	310 760 240	310 760 240
Borrowings: Other financial liabilities	17	-	108 607 631	108 607 631
Trade and other payables from exchange transactions	20	-	1 252 090 145	1 252 090 145
Consumer deposits	21	87 137 643	-	87 137 643
Other deposits	20	11 405 393	-	11 405 393
		98 543 036	1 671 458 016	1 770 001 052

Controlling entity - 2023

Financial assets

		At amortised cost	Total
Other receivables from non-exchange transactions	9	197 105 651	197 105 651
Trade and other receivables from exchange transactions	10	1 779 247 992	1 779 247 992
Cash and cash equivalents	12	659 988 423	659 988 423
		2 636 342 066	2 636 342 066

Financial liabilities

		At fair value	At amortised cost	Total
Payments received in advance	20	-	458 557 736	458 557 736
Borrowings: Other financial liabilities	17	-	138 853 808	138 853 808
Trade and other payables from exchange transactions	20	-	1 175 748 121	1 175 748 121
Consumer deposits	21	83 616 487	-	83 616 487
Other deposits	20	6 719 659	-	6 719 659
		90 336 146	1 773 159 665	1 863 495 811

Financial instruments in Statement of financial performance

Economic entity - 2024

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	30	328 377 833	328 377 833
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	40	(46 210 625)	(46 210 625)
Impairment loss	42	(1 336 717 876)	(1 336 717 876)
		(1 054 550 668)	(1 054 550 668)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

23. Financial instruments disclosure (continued)

Economic entity - 2023

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	30	247 427 353	247 427 353
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	40	(48 316 216)	(48 316 216)
Impairment loss	42	(956 485 680)	(956 485 680)
		(757 374 543)	(757 374 543)

Controlling entity - 2024

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	30	326 691 825	326 691 825
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	40	(46 183 512)	(46 183 512)
Debt impairment	42	(1 336 717 876)	(1 336 717 876)
		(1 056 209 563)	(1 056 209 563)

Controlling entity - 2023

		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	30	246 310 345	246 310 345
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	40	(48 316 033)	(48 316 033)
Debt impairment	42	(956 485 680)	(956 485 680)
		(758 491 368)	(758 491 368)

24. Revenue

Service charges	4 333 828 824	3 627 140 895	4 333 828 824	3 627 140 895
Construction contracts	91 712 399	88 113 517	91 712 399	88 113 517
Rental of facilities and equipment	23 226 131	24 500 929	23 136 005	24 500 929
Agency services	18 764 272	21 870 747	18 764 272	21 870 747
Licences and permits (non-exchange)	-	-	13 697 831	12 216 036
Total other revenue	83 056 771	75 330 491	83 056 471	74 995 184
Interest received	328 377 833	247 427 353	326 691 825	246 310 345
Property rates	2 127 633 956	1 784 853 533	2 127 633 956	1 784 853 533
Interest (non-exchange)	112 362 090	85 675 639	112 362 090	85 675 639
Government grants & subsidies	2 130 198 037	1 936 173 537	2 122 290 044	1 925 040 153
Levies	97 920 061	86 302 838	97 920 061	86 302 838
Public contributions and donations	22 409 060	4 160 425	22 409 060	4 160 425
Fines	65 437 669	65 631 493	65 437 669	65 631 493
Fuel levy	741 926 000	719 203 000	741 926 000	719 203 000
	10 176 853 103	8 766 384 397	10 180 866 507	8 766 014 734

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

Service charges	4 333 828 824	3 627 140 895	4 333 828 824	3 627 140 895
Construction contracts	91 712 399	88 113 517	91 712 399	88 113 517
Rental of facilities and equipment	23 226 131	24 500 929	23 136 005	24 500 929
Agency services	18 764 272	21 870 747	18 764 272	21 870 747
Total other revenue	83 056 771	75 330 491	83 056 471	74 995 184
Interest received	328 377 833	247 427 353	326 691 825	246 310 345
	4 878 966 230	4 084 383 932	4 877 189 796	4 082 931 617

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

24. Revenue (continued)

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

Taxation revenue				
Property rates	2 127 633 956	1 784 853 533	2 127 633 956	1 784 853 533
Licences and permits (non-exchange)	13 697 831	12 216 036	13 697 831	12 216 036
Interest (non-exchange)	112 362 090	85 675 639	112 362 090	85 675 639
Transfer revenue				
Government grants & subsidies	2 130 198 037	1 936 173 537	2 122 290 044	1 925 040 153
Levies	97 920 061	86 302 838	97 920 061	86 302 838
Public contributions and donations	22 409 060	4 160 425	22 409 060	4 160 425
Fines	65 437 669	65 631 493	65 437 669	65 631 493
Fuel levy	741 926 000	719 203 000	741 926 000	719 203 000
	5 311 584 704	4 694 216 501	5 303 676 711	4 683 083 117
Fines are made up as follows:				
Traffic fines movement	(9 906 594)	(4 594 989)	(9 906 594)	(4 594 989)
Revenue received	76 025 788	70 226 482	76 025 788	70 226 482
	66 119 194	65 631 493	66 119 194	65 631 493

Total fines outstanding at 30 June 2024 is R184 462 867 (R253 081 624 : 2023) after eliminating untraceable and collected fines. A probability factor of 15% (15% : 2023) collection of total outstanding fines was calculated resulting in a traffic fines debtor amount of R27 084 560 (R37 045 180 : 2023). Refer to note 9.

The lifespan of traffic fines is as follows:

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

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

Public contributions and donations

In 2024 the City received donations in relation to electricity infrastructure amounting to R22 409 060. In 2023 the City received donations in relation to electricity infrastructure of R3 075 369, traffic vehicles of R953 185 and computer equipment to the value of R131 872.

25. Service charges

Sale of electricity	2 320 728 479	2 016 953 022	2 320 728 479	2 016 953 022
Sale of water	930 012 826	654 717 632	930 012 826	654 717 632
Sewerage and sanitation charges - Non Pans	415 334 030	378 863 429	415 334 030	378 863 429
Sewerage and sanitation charges - Pans	137 842 247	105 059 219	137 842 247	105 059 219
Refuse removal	470 948 276	416 513 873	470 948 276	416 513 873
Other service charges	101 430 271	85 974 274	101 430 271	85 974 274
Less: Income forgone - Sale of water	(33 376 570)	(30 940 554)	(33 376 570)	(30 940 554)
Less: Income forgone - Sewerage - Pans	(9 090 735)	-	(9 090 735)	-
	4 333 828 824	3 627 140 895	4 333 828 824	3 627 140 895

26. Rental of facilities and equipment

Facilities and equipment				
Rental of facilities	23 226 131	24 500 929	23 136 005	24 500 929

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

27. Construction contract

Amount of contract revenue recognised in revenue	-	-	(91 712 400)	(88 113 517)
Aggregate amount of costs recognised in surplus	-	-	91 712 400	88 113 517
Amount received in advance recognised under Trade and other payables - Payments received in advanced	-	-	(26 150 092)	(75 892 627)
Amounts paid in advance recognised under Receivables from exchange transactions - Accrued income	-	-	355 140 989	400 696 989
	-	-	328 990 897	324 804 362

The Eastern Cape Department of Human Settlement in partnership with the City, implemented the construction of houses by appointing consultants and contractors to undertake the construction on behalf of the City. No commission is earned by the City on the implementation of this arrangement.

28. Agency services

Vehicle Registration	18 764 272	21 870 747	18 764 272	21 870 747
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29. Other revenue - (exchange)

Admission fees	2 616 264	2 410 828	2 616 264	2 410 828
Cemetery fees	8 437 931	8 602 274	8 437 931	8 602 274
Commission	35 293 087	32 945 213	35 293 087	32 945 213
Coupons and clip tickets	332 537	317 517	332 537	317 517
Grazing fees	102 919	52 787	102 919	52 787
Insurance	8 099 989	5 635 947	8 099 989	5 635 947
Plan approval fees	9 617 260	9 561 794	9 617 260	9 561 794
Private works	2 250 135	2 304 618	2 250 135	2 304 618
Tender receipts	1 841 869	430 094	1 841 569	430 094
Sale of plants and animals	6 014	16 916	6 014	16 916
Sale of scrap waste	770 178	2 232 746	770 178	2 232 746
Street frontage and administration fees	104 231	81 757	104 231	81 757
Sundry income	11 728 078	7 758 585	11 728 078	7 423 278
Town planning and sub-division fees	1 823 819	2 959 742	1 823 819	2 959 742
Vehicle registrations	32 460	19 673	32 460	19 673
	83 056 771	75 330 491	83 056 471	74 995 184

30. Interest received

Interest revenue

Call accounts with financial institutions	23 944 707	28 680 193	23 944 707	28 680 193
Bank	27 685 273	18 979 654	25 999 265	17 862 646
Interest charged on trade and other receivables	276 747 853	199 767 506	276 747 853	199 767 506
	328 377 833	247 427 353	326 691 825	246 310 345

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

31. Property rates

Rates received

Agricultural	15 099 189	10 843 908	15 099 189	10 843 908
Commercial	946 146 359	705 537 543	946 146 359	705 537 543
Industrial	77 355 804	155 621 739	77 355 804	155 621 739
Mining	156 957	258 342	156 957	258 342
Public Benefit Organisation	2 643 600	1 084 583	2 643 600	1 084 583
Public Service Infrastructure	1 991 154	750 798	1 991 154	750 798
Public Service Purpose	106 786 980	95 764 623	106 786 980	95 764 623
Residential	974 037 421	792 860 074	974 037 421	792 860 074
Vacant land	123 608 583	88 047 274	123 608 583	88 047 274
Less: Income forgone	(120 192 091)	(65 915 351)	(120 192 091)	(65 915 351)
	2 127 633 956	1 784 853 533	2 127 633 956	1 784 853 533

Valuations

Agricultural	4 654 991 100	3 111 382 222
Commercial	29 357 566 690	22 650 767 500
Industrial	2 073 290 212	4 437 396 000
Mining	4 400 000	11 460 000
Public Benefit Organisation	724 466 500	265 283 000
Public Service Infrastructure	976 473 700	276 264 500
Public Service Purpose	4 736 121 200	4 543 498 900
Residential	82 709 506 325	64 239 508 059
Vacant land	3 922 417 300	3 112 925 620
	129 159 233 027	102 648 485 801

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

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

The increase in the total valuation for 2023/2024 financial year is due to valuation of all properties within BCMM as at 1 July 2022 and the implementation thereof on 1 July 2023.

Tariffs levied: cents in the rand

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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

31. Property rates (continued)

Rebates, exclusions and exemptions

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

1) Economic development rebate

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

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

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

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

3) Senior citizens

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

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

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

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

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

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

Section 17(1)(a) - First 30% of the market value of public service infrastructure.

Section 17(1)(h) - First R15 000 of the market value of a property categorised as residential.

Section 17(1)(i) - On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community.

32. Licences and permits (non-exchange)

Dog	1 031 217	1 080 301	1 031 217	1 080 301
Trading	267 182	217 073	267 182	217 073
Road transport	12 399 432	10 918 662	12 399 432	10 918 662
	13 697 831	12 216 036	13 697 831	12 216 036

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
33. Interest (non-exchange)				
Interest - Receivables	112 362 090	85 675 639	112 362 090	85 675 639
34. Government grants & subsidies				
Operating grants				
Government grants - operating projects	109 457 312	125 613 811	109 457 312	126 899 349
Other Government grants and subsidies	1 174 397 709	1 065 539 270	1 174 397 709	1 065 539 270
LG SETA Grant - BCMDA	46 980	47 080	-	-
Neighbourhood Development Programme Grant - BCMDA	2 913 820	329 173	-	-
Public Employment Programme - BCMDA	599 367	12 042 669	-	-
Eastern Cape Development Corporation Grant - BCMDA	4 347 826	-	-	-
	1 291 763 014	1 203 572 003	1 283 855 021	1 192 438 619
Capital grants				
Government grant (capital: PPE)	838 435 023	732 601 534	838 435 023	732 601 534
	2 130 198 037	1 936 173 537	2 122 290 044	1 925 040 153
35. Other revenue - (non-exchange)				
Fire levy	97 920 061	86 302 838	97 920 061	86 302 838

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
36. Employee related costs				
Basic emoluments	1 653 584 097	1 578 129 742	1 621 589 882	1 555 329 333
Car allowance	46 503 000	43 014 277	46 443 000	42 954 277
Bonus	752 236	-	-	-
Employee benefit obligation net cost	15 62 542 000	(80 157 000)	62 542 000	(80 157 000)
Essential user cost	29 379 473	30 584 405	29 379 473	30 584 405
Group life	10 006 748	9 817 782	10 006 748	9 817 782
Housing benefits and allowances	11 862 479	11 661 777	11 850 479	11 613 777
Leave pay contributions (Leave pay provision charge)	48 607 070	49 655 886	48 067 475	49 077 011
Long-service awards	40 224 305	37 622 986	40 224 305	37 622 986
Medical aid contributions	121 656 483	114 916 023	121 652 727	114 916 023
Other allowances	75 635 528	72 031 954	75 635 528	72 031 954
Overtime payments	164 006 870	156 955 855	164 006 870	156 955 855
Pension fund contributions	310 494 339	299 320 254	309 166 890	298 152 787
UIF	11 387 236	11 584 985	11 166 007	11 434 029
WCA	199 716	286 309	-	-
SDL	227 636	259 493	-	-
13th Cheques	139 475 782	127 793 915	138 684 927	127 188 376
Less: Employee costs capitalised to Water inventory	(32 928 262)	(37 744 858)	(32 928 262)	(37 744 858)
	2 693 616 736	2 425 733 785	2 657 488 049	2 399 776 737

Remuneration of City Manager

Annual remuneration	1 471 086	547 515	1 471 086	547 515
Allowance	650 675	285 095	650 675	285 095
UIF	2 125	1 063	2 125	1 063
Medical aid	63 129	20 028	63 129	20 028
Pension contributions	264 795	88 632	264 795	88 632
	2 451 810	942 333	2 451 810	942 333

The position was vacant and the new incumbent was appointed 13 February 2023.

Remuneration of Chief Financial Officer

Annual remuneration	1 176 869	1 176 869	1 176 869	1 176 869
Travel allowance	356 991	347 806	356 991	347 806
Allowance	139 079	173 431	139 079	173 431
UIF	2 125	2 125	2 125	2 125
Medical aid	63 129	60 084	63 129	60 084
Pension contributions	211 836	211 836	211 836	211 836
Group life	11 418	11 113	11 418	11 113
	1 961 447	1 983 264	1 961 447	1 983 264

Remuneration of HOD: Executive Support Services

Annual remuneration	1 171 861	1 171 861	1 171 861	1 171 861
Travel allowance	242 766	242 766	242 766	242 766
Allowance	275 552	298 948	275 552	298 948
UIF	2 125	2 125	2 125	2 125
Medical aid	32 810	31 687	32 810	31 687
Pension contributions	210 935	210 935	210 935	210 935
Group life	17 051	16 595	17 051	16 595
	1 953 100	1 974 917	1 953 100	1 974 917

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

36. Employee related costs (continued)

Remuneration of HOD: Human Settlements

Annual remuneration	1 176 869	1 176 869	1 176 869	1 176 869
Travel allowance	357 823	348 638	357 823	348 638
Allowance	125 484	160 177	125 484	160 177
UIF	2 125	2 125	2 125	2 125
Medical aid	63 129	60 084	63 129	60 084
Pension contributions	211 836	211 836	211 836	211 836
Group life	24 182	23 535	24 182	23 535
	1 961 448	1 983 264	1 961 448	1 983 264

Remuneration of HOD: Corporate Services

Annual remuneration	1 171 860	1 171 861	1 171 860	1 171 861
Travel allowance	240 000	240 000	240 000	240 000
Allowance	268 081	284 733	268 081	284 733
UIF	2 125	2 125	2 125	2 125
Medical aid	42 521	47 686	42 521	47 686
Pension contributions	228 513	228 513	228 513	228 513
	1 953 100	1 974 918	1 953 100	1 974 918

Remuneration of HOD: Public Safety & Emergency Services

Annual remuneration	980 724	784 579	980 724	784 579
Travel allowance	298 188	-	298 188	-
Allowance	139 165	387 643	139 165	387 643
UIF	1 771	1 417	1 771	1 417
Medical aid	28 622	-	28 622	-
Pension contributions	176 530	148 537	176 530	148 537
Group life	9 539	-	9 539	-
	1 634 539	1 322 176	1 634 539	1 322 176

The position became vacant 01 March 2023. Acting allowance to the value of R21 451 was paid in the 2023/24 financial year in respect of this position. The new incumbent was appointed 01 September 2023.

Remuneration of HOD: Infrastructure Services

Annual remuneration	327 617	1 171 861	327 617	1 171 861
Travel allowance	54 000	168 000	54 000	168 000
Allowance	84 177	356 804	84 177	356 804
UIF	708	2 125	708	2 125
Medical aid	10 903	31 019	10 903	31 019
Pension contributions	63 885	228 513	63 885	228 513
Group life	4 737	16 595	4 737	16 595
	546 027	1 974 917	546 027	1 974 917

The position became vacant 12 October 2023. Acting allowance to the value of R16 890 was paid in the 2023/24 financial year in respect of this position.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

36. Employee related costs (continued)

Remuneration of HOD: Development and Spatial Planning

Annual remuneration	292 965	1 171 861	292 965	1 171 861
Travel allowance	48 000	192 000	48 000	192 000
Allowance	78 651	338 333	78 651	338 333
UIF	531	2 125	531	2 125
Medical aid	8 177	31 019	8 177	31 019
Pension contributions	57 128	228 513	57 128	228 513
Group life	2 822	11 066	2 822	11 066
	488 274	1 974 917	488 274	1 974 917

The position became vacant 01 October 2023. Acting allowance to the value of R10 907 was paid in the 2023/24 financial year in respect of this position.

Remuneration of HOD: Solid Waste and Environmental Health

Annual remuneration	1 176 869	1 176 869	1 176 869	1 176 869
Travel allowance	264 000	264 000	264 000	264 000
Allowance	262 546	288 313	262 546	288 313
UIF	2 125	2 125	2 125	2 125
Medical aid	44 071	40 120	44 071	40 120
Pension contributions	211 836	211 836	211 836	211 836
	1 961 447	1 983 263	1 961 447	1 983 263

Remuneration of HOD: Economic Development & Agencies

Annual remuneration	1 176 869	1 176 869	1 176 869	1 176 869
Travel allowance	356 991	347 806	356 991	347 806
Allowance	188 988	220 831	188 988	220 831
UIF	2 125	2 125	2 125	2 125
Medical aid	24 638	23 796	24 638	23 796
Pension contributions	211 836	211 836	211 836	211 836
	1 961 447	1 983 263	1 961 447	1 983 263

Remuneration of HOD: Sport, Recreation & Community Development

Annual remuneration	1 176 869	784 579	1 176 869	784 579
Travel allowance	356 991	231 871	356 991	231 871
Allowance	177 570	139 812	177 570	139 812
UIF	2 125	1 417	2 125	1 417
Medical aid	24 638	15 864	24 638	15 864
Pension contributions	211 836	141 224	211 836	141 224
Group life	11 418	7 409	11 418	7 409
	1 961 447	1 322 176	1 961 447	1 322 176

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

Remuneration of Chief Operations Officer

Annual remuneration	944 213	-	944 213	-
Travel allowance	320 000	-	320 000	-
Allowance	109 904	-	109 904	-
UIF	1 417	-	1 417	-
Medical aid	21 308	-	21 308	-
Pension contributions	169 958	-	169 958	-
Other	6 888	-	6 888	-
	1 573 688	-	1 573 688	-

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

36. Employee related costs (continued)

The position is new and the incumbent was appointed 01 November 2023.

BCMDA - Remuneration of Executive Management

Remuneration - Chief Executive Officer (A Gqoboka) (appointed 1 January 2024)

Annual remuneration	1 356 916	1 491 966	-	-
Performance bonuses	69 030	-	-	-
Contributions to UIF, Medical and Pension Funds	24 739	165 424	-	-
Settlement cost	-	4 950 000	-	-
	1 450 685	6 607 390	-	-

In the prior year the Agency and Mr Bulumko Nelana reached an out of court settlement amounting to R4 950 000.00 which resulted in his contract being terminated as at February 2023. A permanent CEO was appointed on the 1st January 2024.

Remuneration - Chief Financial Officer

Annual remuneration	1 326 222	1 368 381	-	-
Car allowance	110 000	-	-	-
Performance bonuses	78 767	-	-	-
Contributions to UIF, Medical and Pension Funds	150 364	137 106	-	-
	1 665 353	1 505 487	-	-

Remuneration - Acting Chief Financial Officer

Annual remuneration	7 735	4 042	-	-
Contributions to UIF, Medical and Pension Funds	78	40	-	-
	7 813	4 082	-	-

Mr. S Peter was appointed as an Acting Chief Financial Officer up until the 14th August 2023, then a permanent Chief Financial Officer was appointed on the 15th August 2023. She carried on with her duties until the 22nd of May 2024 where Miss. S Mgudlwa was appointed as the Acting Chief Financial Officer from the 23rd of May 2024.

Remuneration - Interim Chief Executive Officer

Annual remuneration	32 556	633 590	-	-
Contributions to UIF, Medical and Pension Funds	288	531	-	-
	32 844	634 121	-	-

Mr. S Peter was appointed as Interim Chief Executive Officer effective 16th of August 2023, up until 31 December 2023, in the prior year Mr. N van Wyk was appointed as an interim Chief Executive Officer for the periods 1 November 2022 until 25 January 2023.

Remuneration - Interim Chief Executive Officer (M Sibam) (appointed 26 January 2023 - 15 August 2023)

Annual remuneration	343 046	1 179 711	-	-
Contributions to UIF, Medical and Pension Funds	354	886	-	-
	343 400	1 180 597	-	-

Remuneration - Executive Manager: Corporate Services (appointed 1 November 2023)

Annual remuneration	1 257 487	2 426 978	-	-
Performance bonuses	85 157	-	-	-
Contributions to UIF, Medical and Pension Funds	1 417	53 220	-	-
	1 344 061	2 480 198	-	-

In the 2022/23 financial year, the Agency reached an out of court settlement with the Executive Manager: Corporate Services and his contract was terminated as at 30 June 2023. A permanent candidate was appointed on the 1 November 2023.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

36. Employee related costs (continued)

Remuneration - Executive Manager: Strategy & Risk (appointed 1 October 2022)

Annual remuneration	1 561 560	1 126 125	-	-
Performance bonuses	85 800	-	-	-
Contributions to UIF, Medical and Pension Funds	156 565	112 969	-	-
	1 803 925	1 239 094	-	-

Remuneration - Chief Investment Officer (appointed 11 July 2022 - 31 July 2023)

Annual remuneration	133 896	1 495 723	-	-
Contributions to UIF, Medical and Pension Funds	177	154 345	-	-
	134 073	1 650 068	-	-

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

Remuneration - Executive Manager: Property Planning, Development and Management (appointed 11 July 2022)

Annual remuneration	131 556	1 501 525	-	-
Contributions to UIF, Medical and Pension Funds	12 640	151 683	-	-
	144 196	1 653 208	-	-

The Executive Manager: Property Planning, Development and Management was dismissed on the 31 July 2023 and the case is currently in court for arbitration.

Remuneration - Acting Executive: Corporate Services

Annual remuneration	13 246	35 078	-	-
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Ms M Zokufa was appointed as Acting Executive: Corporate Services effective on 3rd August 2023 - 31st October 2023, taking over from Mrs F Goniwe.

A Ntshokoma (Acting Executive Manager: Property Planning, Development and Management)

Annual remuneration	24 942	-	-	-
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Remuneration - Company Secretary & Legal Services Manager (appointed 1 December 2023 - 6 May 2024)

Annual remuneration	626 471	1 082 232	-	-
Contributions to UIF, Medical and Pension Funds	1 063	109 159	-	-
	627 534	1 191 391	-	-

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

BCMDA - Remuneration of Executive Management Economic entity employee related cost

7 592 072	18 180 714	-	-
2 693 616 736	2 425 733 785	2 657 488 049	2 399 776 737
2 701 208 808	2 443 914 499	2 657 488 049	2 399 776 737

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

37. Remuneration of councillors/directors

Executive Major	900 811	896 189	900 811	896 189
Deputy Executive Mayor	-	535 400	-	535 400
Mayoral Committee Members	6 005 564	6 016 755	6 005 564	6 016 755
Speaker	727 512	727 512	727 512	727 512
Chief Whip	685 305	644 244	685 305	644 244
Councillors' salaries	30 427 602	30 858 967	30 427 602	30 858 967
Councillors' pension contribution	4 196 058	4 192 617	4 196 058	4 192 617
Councillors' housing subsidy	14 772 570	14 372 268	14 772 570	14 372 268
Councillors' medical aid	1 714 810	1 634 503	1 714 810	1 634 503
Cellphone Allowance	4 561 162	4 084 016	4 561 162	4 084 016
Travel allowance	4 975 983	5 166 613	4 975 983	5 166 613
Board fees	1 992 201	2 470 523	-	-
	70 959 578	71 599 607	68 967 377	69 129 084

Board fees 2024

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

Board fees 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 Godogwana	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	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

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

37. Remuneration of councillors/directors (continued)

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Cost of secretarial support amounts to R24 099 710 (2023: R34 587 137).

The Housekeeper appointed to maintain the Mayoral house cost to Council amounts to R50 771 (2023: R346 596).

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 R234 642 (2023: R382 100). An amount of R2 467 823 (2023: R4 516 082) was incurred for hired vehicles.

The Executive Mayor, Deputy Executive Mayor and Speaker each have full-time bodyguards. Cost of 9 bodyguards amounts to R9 283 674 (2023: R12 852 173).

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.

38. Inventory consumed

Water	255 543 395	248 719 270	255 543 395	248 719 270
Other inventory	81 412 649	102 146 740	81 379 878	102 110 682
	336 956 044	350 866 010	336 923 273	350 829 952

39. Depreciation and amortisation

Property, plant and equipment	4	1 889 879 653	1 894 394 996	1 889 247 308	1 893 800 500
Intangible assets	5	1 993 063	2 200 918	1 541 980	1 965 955
		1 891 872 716	1 896 595 914	1 890 789 288	1 895 766 455

40. Finance costs

Borrowings	11 564 956	16 074 877	11 564 956	16 074 877
Unwinding of interest on provisions	34 618 556	32 241 156	34 618 556	32 241 156
Finance leases	27 113	-	-	-
Bank	-	183	-	-
	46 210 625	48 316 216	46 183 512	48 316 033

Refer to note 17 Borrowings relating to finance cost.

41. Auditors' remuneration

Fees	23 917 137	25 752 648	22 982 780	24 863 782
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42. Debt impairment

Contributions to debt impairment - Exchange	11	966 736 509	598 746 287	966 736 509	598 746 287
Contributions to debt impairment - Non-exchange	11	369 981 367	357 739 393	369 981 367	357 739 393
		1 336 717 876	956 485 680	1 336 717 876	956 485 680

43. Bulk purchases

Electricity - Eskom	2 273 928 751	1 936 962 683	2 273 928 751	1 936 962 683
Electricity usage - Water treatment	(21 573 308)	(24 728 952)	(21 573 308)	(24 728 952)
	2 252 355 443	1 912 233 731	2 252 355 443	1 912 233 731

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

43. Bulk purchases (continued)

Electricity losses

Description	2024 Amount (R)	%	2023 Amount (R)	%
Technical	233 335 557	10.00	193 696 268	10.00
Non-technical	322 680 510	14.20	181 744 874	9.21
	556 016 067	24.20	375 441 142	19.21

Total losses amounted to 315 455 746 kWh (2023: 250 172 822 kWh) of which 130 332 244 kWh (2023: 130 212 801 kWh) are technical losses and 185 123 501 kWh (2023: 119 960 021 kWh) are non-technical losses.

Electricity losses for the current year ending 30 June 2023 amounted to 24.20% (2023: 19.21%) i.e. R556 016 067 (2023: R373 469 761). 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% (2023: 10%) i.e. R233 335 557 (2023: R193 696 268). Non-technical losses, being theft, faults, billing errors etc., account for 14.2% (2023: 9.21%) i.e. R322 680 510 (2023: R181 744 874).

Water losses

Description	2024 Amount (R)	%	2023 Amount (R)	%
Technical	89 510 613	22.83	86 082 285	22.60
Non-technical	58 453 464	14.91	57 370 136	15.06
	147 964 077	37.74	143 452 421	37.66

Total losses amounted to 24 983 539 KI (2023: 24 539 655 KI) of which 15 113 750 KI (2023: 14 725 646 KI) are technical losses and 9 869 789 KI (2023: 9 814 009 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
44. Repairs and maintenance				
Infrastructure	223 811 442	203 398 425	223 811 442	203 398 425
Community assets	5 571 619	19 089 672	5 571 619	19 089 672
Heritage assets	-	8 014	-	8 014
Other assets	24 466 538	35 673 686	24 447 398	35 653 644
Computer Equipment	204 424	1 535 722	204 424	1 535 722
Furniture and Office Equipment	3 769 968	7 418 929	3 769 968	7 418 929
Machinery and Equipment	211 051 474	246 126 152	211 051 474	246 126 152
Transport Assets	23 062 449	17 768 863	23 062 449	17 768 863
Less: Repairs and maintenance capitalised to Water inventory	(6 832 416)	(7 831 831)	(6 832 416)	(7 831 831)
	485 105 498	523 187 632	485 086 358	523 167 590
45. Contracted services				
Outsourced Services				
Alien Vegetation Control	295 850	100 000	295 850	100 000
Animal Care	1 345 242	1 440 000	1 345 242	1 440 000
Burial Services	337 743	506 239	337 743	506 239
Business and Advisory	240 767	258 153	240 767	258 153
Catering Services	3 865 047	5 516 959	3 865 047	5 516 959
Cleaning Services	223 901	362 846	223 901	362 846
Clearing and Grass Cutting Services	6 180 697	6 648 953	6 180 697	6 648 953
Connection/Dis-connection	10 581 076	9 130 203	10 581 076	9 130 203
Hygiene Services	61 682	44 414	61 682	44 414
Internal Auditors	591 148	391 350	591 148	391 350
Meter Management	142 275	418 089	142 275	418 089
Medical Services (Medical Health Services & Support)	60 514	49 733	60 514	49 733
Personnel and Labour	50 233 631	47 411 731	50 233 631	47 411 731
Professional Staff	13 707 622	7 834 173	13 707 622	7 834 173
Refuse Removal	8 817 984	8 819 993	8 817 984	8 819 993
Security Services	2 603 138	3 439 119	-	87 000
Traffic Fines Management	3 105 983	3 633 454	3 105 983	3 633 454
Consultants and Professional Services				
Business and Advisory	66 510 683	54 944 154	61 320 320	46 438 381
Infrastructure and Planning	8 200 795	6 518 918	8 200 795	5 825 319
Laboratory Services	325 750	349 126	325 750	349 126
Legal Cost	58 750 521	47 002 911	57 861 255	43 190 217
Contractors				
Artists and Performers	661 103	1 218 847	661 103	1 218 847
Building	109 565 080	107 576 571	109 565 080	107 576 571
Electrical	10 404 944	13 668 089	10 404 944	13 668 089
Event Promoters	4 964 491	4 044 507	4 964 491	4 044 507
Inspection Fees	841	840	841	840
Management of Informal Settlements	424 246	15 248	424 246	15 248
Medical Services	31 136	44 400	31 136	44 400
Pest Control and Fumigation	-	4 850	-	4 850
Plants, Flowers and Other Decorations	59 096	75 771	59 096	75 771
Safeguard and Security	12 703 113	9 692 177	12 703 113	9 692 177
Sewerage Services	8 963 321	29 995 239	8 963 321	29 995 239
Stage and Sound Crew	1 231 898	1 140 649	1 231 898	1 140 649
	385 191 318	372 297 706	376 508 551	355 933 521

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

46. Grants and subsidies paid

Other subsidies

Buffalo City Metropolitan Development Agency	-	-	60 214 497	45 539 399
Disaster management fund	711 491	679 727	711 491	679 727
Mayoral Social Responsibility	1 806 871	684 251	1 806 871	684 251
Other Organisations	26 171 272	23 042 655	26 171 272	23 042 655
Rural development	4 263 895	1 985 578	4 263 895	1 985 578
Social relief	28 550 171	51 393 264	28 550 171	51 393 264
Sponsored Events	9 812 768	14 170 010	9 812 768	14 170 010
	71 316 468	91 955 485	131 530 965	137 494 884

47. General expenses

Advertising	11 126 459	9 395 139	11 018 727	9 255 314
Auditors' remuneration	23 917 137	25 752 648	22 982 780	24 863 782
Bank charges	8 436 931	7 910 774	8 421 160	7 875 455
Cleaning	98 195	97 561	98 195	97 561
Commission paid	41 498 836	38 145 911	41 498 836	38 145 911
Conferences and seminars	1 420 414	2 641 196	1 420 414	2 641 196
Consumables	11 754 047	7 960 372	10 081 026	4 457 578
Entertainment	794 762	1 599 892	654 297	1 405 451
Hire	211 365 862	167 555 391	211 193 262	167 251 390
Insurance	40 978 897	37 619 437	40 780 898	37 441 332
IT expenses	51 899 428	50 668 541	50 232 354	49 734 546
Lease rentals on operating lease	24 945 458	41 397 431	23 618 056	40 231 659
Levies	21 461 619	20 786 071	21 461 619	20 786 071
Magazines, books and periodicals	178 565	340 871	178 565	340 871
Marketing	1 269 014	7 110 967	1 269 014	6 590 663
Motor vehicle expenses	8 326 498	10 804 068	8 326 498	10 804 068
Other expenses	53 272 562	29 450 259	54 055 352	31 148 389
Placement fees	30 595	81 543	-	-
Postage and courier	6 417 892	9 756 689	6 388 840	9 721 397
Printing and stationery	12 841 979	6 995 271	12 813 503	6 991 758
Promotions	1 818 962	2 747 420	1 395 601	1 441 577
License fees	5 004 981	4 957 854	5 004 981	4 957 854
Special events	58 670	27 095	58 670	27 095
Staff welfare	24 815	99 581	-	-
Subscriptions and membership fees	19 327 511	17 861 693	19 327 511	17 831 810
Telephone and fax	19 387 991	20 393 242	19 177 841	20 149 083
Title deed search fees	289 122	188 913	289 122	188 913
Training	17 425 484	22 655 123	17 166 600	22 286 103
Travel - local	12 875 337	16 499 783	12 327 296	15 492 959
Travel - overseas	254 682	455 436	254 682	455 436
Remuneration to WARD Committees	9 027 973	8 713 140	8 954 377	8 630 785
Utilities	167 749	97 382	-	-
Uniforms	14 622 203	16 626 480	14 532 009	15 575 331
	632 320 630	587 393 174	624 982 088	576 821 339

48. Fair value adjustments

Investment property (Fair value model)	23 153 674	9 064 100	23 153 674	9 064 100
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Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

49. Deferred tax

Deferred tax asset

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

Unrecognised deferred tax asset

Deductible temporary differences not recognised as deferred tax assets	473 814	165 826	-	-
Unused tax losses not recognised as deferred tax assets	49 201 012	48 575 014	-	-
	49 674 826	48 740 840	-	-

50. Cash generated from operations

Deficit	(455 649 783)	(628 351 318)	(462 665 044)	(612 019 176)
Adjustments for:				
Depreciation and amortisation	1 891 872 716	1 896 595 914	1 890 789 288	1 895 766 455
(Gain)/Loss on sale of assets	351 670 867	(2 612 915)	351 672 161	(2 591 325)
Inventory losses/write-downs	148 218 824	143 613 837	148 230 590	143 591 411
Loss/(income) from equity accounted investments	(40 750 306)	20 142 918	(40 750 306)	20 142 918
Fair value adjustments	(23 153 674)	(9 064 100)	(23 153 674)	(9 064 100)
Finance costs - Finance leases	27 113	-	-	-
Impairment deficit	-	26 356	-	-
Debt impairment	1 336 717 876	956 485 680	1 336 717 876	956 485 680
Movements in operating lease liability	63 342	20 947	-	-
Movements in retirement benefit assets and liabilities	62 542 000	(80 157 000)	62 542 000	(80 157 000)
Movements in provisions	19 134 802	(1 565 885)	18 063 813	(915 113)
Other non-cash items	(72 872 358)	186 254 767	(72 872 339)	178 491 716
Changes in working capital:				
Inventories	(166 770 824)	(150 250 462)	(166 770 824)	(150 250 462)
Receivables from exchange transactions	(1 167 642 588)	(697 679 917)	(1 161 077 268)	(708 971 632)
Receivables from non-exchange transactions	(694 648 930)	(399 953 910)	(694 648 930)	(399 953 910)
Prepayments	-	104 436	-	-
Trade payables from exchange transactions	(86 500 821)	242 468 537	(90 648 156)	237 676 865
Unspent conditional grants and receipts	34 422 008	(28 306 652)	23 552 974	(20 480 652)
Consumer deposits	3 521 156	3 823 064	3 521 156	3 823 064
	1 140 201 420	1 451 594 297	1 122 503 317	1 451 574 739

51. Operating leases - as lessee (expense)

Minimum lease payments due - Buildings

- within one year	13 045 641	3 739 316	11 580 354	2 274 029
- in second to fifth year inclusive	6 334 270	2 448 844	5 479 519	128 806
	19 379 911	6 188 160	17 059 873	2 402 835

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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

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

Minimum lease payments due - Printing Machines

- within one year	5 510 346	2 813 587	5 449 121	2 752 362
- in second to fifth year inclusive	7 160 933	3 462 661	7 125 219	3 365 722
	12 671 279	6 276 248	12 574 340	6 118 084

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.

52. Inventories losses/write-downs

Other inventory losses	254 747	161 416	266 513	138 990
Real losses	89 510 613	86 082 285	89 510 613	86 082 285
Apparent losses	58 453 464	57 370 136	58 453 464	57 370 136
	148 218 824	143 613 837	148 230 590	143 591 411

Refer to note 42 for detail on water losses.

53. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Community (including housing)	151 220 734	95 239 234	151 220 734	95 239 234
• Infrastructure	76 974 987	218 056 799	76 974 987	218 056 799
• Other	1 867 450	16 220 812	1 867 450	16 220 812
• Annual contracts	113 723 491	22 040 362	113 723 491	22 040 362
	343 786 662	351 557 207	343 786 662	351 557 207

Total capital commitments

Already contracted for but not provided for	343 786 662	351 557 207	343 786 662	351 557 207
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Authorised operational expenditure

Already contracted for but not provided for

• East London Beachfront Precinct Project - Court Crescent	-	2 187 906	-	-
• Other	7 253 711	20 572 023	-	-
	7 253 711	22 759 929	-	-

Total operational commitments

Already contracted for but not provided for	7 253 711	22 759 929	-	-
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This committed expenditure relates to Infrastructure, Community, Property, Plant and Equipment and Annual contracts. Refer to note 4 Property, plant and equipment.

Consultants and professional fees are not included in the commitment disclosure due to their nature and the fact that their costs can only be determined after the works have been concluded and payment made. This 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
54. 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.	216 484 622	116 583 944	216 484 622	116 583 944
Labour issues These are instances whereby labour disputes have resulted in possible claims by employees.	24 903 664	31 466 858	24 903 664	31 466 858
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.	226 612 041	61 250 083	226 612 041	61 250 083
Other matters These are disputed invoices in terms of the standing contract between BCMM and Vodacom. The dispute has been resolved in the current year.	-	44 528 716	-	44 528 716
BCMDA - Litigation issues These are instances whereby legal claims have been instituted against the Agency by various third parties. Legal advice is sought and the Agency will defend claims where so advised.	38 413 517	7 868 774	-	-
	506 413 844	261 698 375	468 000 327	253 829 601

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

55. 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 071 372 to BCMDA during the current financial year (2023: R44 253 862) (VAT exclusive).

European Union grants funding amounting to R16 143 125 was received by BCMM for the Duncan Village Buy Back Centre. This grant funding was transferred to the agency in the 2023/2024 financial year.

BCMM reimbursed BCMDA with an amount of R4 396 579 (2023: R21 226 622) (VAT exclusive) and a payable of R5 388 300 (2023: R0) is due to BCMDA for the implementation of the BCMDA East London Beachfront and Water World Project.

BCMM reimbursed BCMDA with an amount of R15 554 130 (2023: R10 888 436) (VAT exclusive) and a payable of R1 188 362 (2023: R0) is to BCMDA for the Public Employment Programme that is funded through the Neighbourhood Development Partnership Grant.

Agency fees amounting to R782 790 (2023: R1 698 130) (VAT exclusive) were recognised relating to projects implemented and administered on behalf of BCMM, of this amount a payable of R431 064 is due to BCMDA.

BCMDA has paid no consumer accounts during the current financial year.

There are no share-based payments in respect of BCMDA.

There are no post-employment benefits for key personnel in respect of BCMDA.

BCMM paid an amount of R3 882 676 (2023: R2 865 080) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2023/24 financial year to the East London IDZ.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Key management information - BCMDA

Class	Description	Number
Non-executive board members	Board of Directors	7
Audit and risk committee	Shared with parent municipality	3
Executive management	Agency management	6
Councillors	Shareholder representative	1

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

56. 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 2022

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			10 909 689 314	-	10 909 689 314
Various		a,b,c,d,e,f,g,j	-	154 976 974	154 976 974
			- 10 909 689 314	154 976 974	11 064 666 288

Economic entity - 2023

Summary of Statement of Financial Position	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Inventories	8		50 846 397	-	-	50 846 397
Receivables from non-exchange transactions	9	f	894 752 505	(66 802 822)	44 520 329	872 470 012
Receivables from exchange transactions	10	f	2 067 794 409	(79 003 171)	(44 520 329)	1 944 270 909
Cash and cash equivalents	12		679 974 997	-	-	679 974 997
Investment property	3	j	460 264 600	697 000	-	460 961 600
Property, plant and equipment	4	c,i	24 870 181 392	833 762 351	-	25 703 943 743
Intangible assets	5		9 042 729	-	-	9 042 729
Heritage assets	6		50 513 440	2 663 852	-	53 177 292
Investment in controlled entities	7	k	-	100	-	100
Investment in associate	7		686 174 352	-	-	686 174 352
Borrowings	17		(50 157 564)	19 911 386	-	(30 246 178)
Operating lease liability			(89 315)	-	-	(89 315)
Trade payables from exchange transactions	20	a,b,g	(1 878 529 217)	37 852 616	-	(1 840 676 601)
Consumer deposits	21		(83 616 487)	-	-	(83 616 487)
Employee benefit obligation	15		(59 370 000)	-	-	(59 370 000)
Unspent conditional grants	16		(255 178 690)	-	-	(255 178 690)
Provisions	19		(396 923 669)	9 729 210	-	(387 194 459)
Borrowings	17		(88 696 244)	(19 911 386)	-	(108 607 630)
Employee benefit obligation	15		(715 349 000)	-	-	(715 349 000)
Provisions	19		(94 320 191)	4 573 848	-	(89 746 343)
Revaluation reserve	13	c	(15 522 625 351)	(931 847 008)	-	(16 454 472 359)
Accumulated surplus		a,b,c,d,e,f,g,j	(10 624 689 093)	188 374 023	-	(10 436 314 970)
			-	-	-	-

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

56. Prior-year adjustments (continued)

Statement of financial performance

Economic entity - 2023

Summary of Statement of Financial Performance	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	25	f	(3 766 314 630)	139 173 735	-	(3 627 140 895)
Rental of facilities and equipment	26		(24 500 929)	-	-	(24 500 929)
Construction contract	27		-	(88 113 517)	-	(88 113 517)
Other revenue (exchange)	29		(75 330 491)	-	-	(75 330 491)
Interest received	30	f	(262 739 040)	15 311 687	-	(247 427 353)
Agency fees	28		(21 870 747)	-	-	(21 870 747)
Property rates	31	f	(1 791 370 242)	6 516 709	-	(1 784 853 533)
Licences and Permits (non-exchange)	32		(12 216 036)	-	-	(12 216 036)
Interest (non-exchange)	33		(85 675 639)	-	-	(85 675 639)
Government grants and subsidies	34		(1 936 173 537)	-	-	(1 936 173 537)
Other revenue (non-exchange)	35	f	(82 451 262)	(3 851 576)	-	(86 302 838)
Public contributions and donations	24		(4 160 425)	-	-	(4 160 425)
Fines	24	h	(6 973 578)	(58 657 915)	-	(65 631 493)
Fuel levy	24		(719 203 000)	-	-	(719 203 000)
Employee related cost	36	a	2 476 159 013	5 500 344	(37 744 858)	2 443 914 499
Remuneration of councillors	37	b	69 219 711	2 379 896	-	71 599 607
Inventory consumed	38	d	-	-	350 866 010	350 866 010
Depreciation and amortisation	39		1 846 054 391	50 541 523	-	1 896 595 914
Finance cost	40	i	16 075 060	32 241 156	-	48 316 216
Debt Impairment	42	h	897 827 765	58 657 915	-	956 485 680
Repairs and maintenance	44	c	445 308 261	98 041 917	(20 162 546)	523 187 632
Bulk purchases	43	d	2 206 834 982	-	(294 601 251)	1 912 233 731
Contracted services	45	c	283 716 286	88 581 420	-	372 297 706
Grants and subsidies paid	46		91 955 485	-	-	91 955 485
General expenses	47	d	729 796 166	(593 215)	(141 809 776)	587 393 175
Gain/(Loss) on disposal of assets	4		(430 933)	(2 181 982)	-	(2 612 915)
Fair value adjustments	48	j	(8 867 100)	(197 000)	-	(9 064 100)
Impairment loss			26 356	-	-	26 356
Share of surplus of associate	7		20 142 918	-	-	20 142 918
Inventories losses/write-downs	52	d	161 416	-	143 452 421	143 613 837
Surplus for the year			- 285 000 221	343 351 097	-	628 351 318

Other disclosure items

	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Contingencies - Other matters	54		66 502 509	(21 973 793)	-	44 528 716
Commitments - Community (including housing)	53		86 063 440	9 175 794	-	95 239 234
Commitments - Infrastructure	53		223 189 368	(5 132 569)	-	218 056 799
Commitments - Other	53		36 729 654	(20 508 842)	-	16 220 812
Commitments - Annual contracts	53		22 270 622	(230 260)	-	22 040 362
Irregular expenditure - Ratified as irrecoverable by Council and written off	63		-	(60 198 838)	-	(60 198 838)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
56. Prior-year adjustments (continued)				
Cash flow statement				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services	e	5 315 449 010	96 241 067	5 411 690 077
Government grants and subsidies		1 907 866 885	-	1 907 866 885
Interest income	e	348 414 679	(15 311 687)	333 102 992
Employee costs & Councillors remuneration	e	(2 627 284 737)	29 864 618	(2 597 420 119)
Suppliers and other payments	e	(3 465 653 435)	(121 917 043)	(3 587 570 478)
Finance costs		(16 075 060)	-	(16 075 060)
	-	1 462 717 342	(11 123 045)	1 451 594 297
Cash flow from investing activities				
Purchase of property, plant and equipment	e	(1 443 300 818)	9 272 208	(1 434 028 610)
Proceeds from sale of property, plant and equipment		12 665 367	2 181 837	14 847 204
Purchase of other intangible assets		(423 146)	-	(423 146)
Purchase of other heritage assets		-	(331 000)	(331 000)
	-	(1 431 058 597)	11 123 045	(1 419 935 552)
Cash flow from financing activities				
Repayment of borrowings		(49 140 563)	-	(49 140 563)

Explanations of errors

- a) The error is in respect of results of the Job Evaluation process which was undertaken by BCMM with the calculations backdated from 1 July 2015 and payment done in the 2023/24 Financial year.
- b) The error relates to increases for Councillors with effect from 01 July 2022 as per the Government Gazette 46470 of June 2022, with payment done in the 2023/24 Financial year.
- c) 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 inventory consumed change in disclosure, recognising the technical and non-technical losses. Also capitalising various expenditure items to water inventory total system input volume in order to distribute to inventory consumed, technical and non-technical losses.
- e) Cash flow effect of all prior period adjustments.
- f) Alignment of Revenue to Prior period/s. Journal adjustments were processed to customer accounts in 2022 2023, intended for prior periods.
- g) Write back of retention as contract was terminated and retention withheld.
- h) Recognising debt impairment and revenue separately for traffic fines, previously reported the net effect only on revenue.
- i) Recognising the interest portion on landfill site provision, previously capitalised to the cost of the asset.
- j) Adjusted fair value of investment properties due more appropriate methodologies used.
- k) Inclusion or BCMM's interest in controlled entity (BCMDA) which wholly owned by BCMM.
- l) After a further investigation management have identified that some of the Vodacom invoices were not supposed to be disclosed as contingency in the 2022/23FY therefor we excluded it from the contingent liability note disclosure.
- m) Commitments were restated, previously disclosed contracts that had been concluded or terminated were removed and newly identified commitments not previously disclosed were added.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

56. Prior-year adjustments (continued)

n) During the 2023 financial year an amount of R60 198 838 was written off by council. This was, however, not disclosed and the comparative irregular expenditure disclosure has been restated to include such a write off.

57. Comparative figures

Certain comparative figures have been reclassified. Refer to note 55 Prior year adjustments for detail.

58. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk Management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

58. Risk management (continued)

Market risk

Interest rate risk

The entity has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk, however all finance charges are on the variable interest rate.

The risk of a decrease in interest rate will place additional pressure to funding operations as a result of less income being realised from interest received and vice versa for finance charges.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	12.75 %	3 342 314 563	-	-	-	-
Cash in current banking institutions	7.75 %	142 470 955	-	-	-	-
Call Investments deposits	8.07 %	578 420 212	-	-	-	-
Trade and other payables - extended credit terms	7.75 %	1 261 597 130	-	-	-	-
Long term borrowings	8.26 %	28 813 896	25 085 849	20 829 396	8 416 924	25 461 567

Sensitivity Analysis of Market Risk

Effect of a 1% change in the interest rate	Current interest rate	Value as at 30 June 2024	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables - normal credit terms	12.75 %	3 342 314 563	2 964 358 814	2 990 885 515	2 938 298 517
Cash in current banking institutions	7.75 %	142 470 955	132 223 624	133 462 253	131 007 775
Call Investments deposits	8.07 %	578 420 212	535 227 364	540 226 218	530 320 172
Trade and other payables - extended credit terms	7.75 %	1 261 597 130	1 170 855 805	1 181 824 009	1 160 089 315
Short term borrowings	8.26 %	28 813 896	26 615 459	26 863 599	26 371 862
Long term borrowings	8.26 %	79 793 735	73 705 648	74 392 817	73 031 059

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

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

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the 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.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

59. Going concern

The audited consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

It is the responsibility of management to make an assessment of whether the going concern presumption is appropriate, or not, when preparing the financial statements.

In order to conclude as to whether, or not, an entity is able to continue in business for the foreseeable future, management makes judgments on various uncertain future outcomes of events or conditions.

This assessment is based on the reported results and financial position for the year ended 30 June 2024.

Buffalo City Metropolitan Municipality is a category "A" size entity providing electricity, refuse and other services. Refuse and other services are not affected by external factors. Electricity services can be affected by ESKOM tariff hikes.

At the time of making this assessment there are no subsequent events that may result in outcomes that are inconsistent with judgments made.

Liquidity ratios

Current ratio	1.58	1.34	1.58	1.33
Acid test ratio	1.56	1.32	1.56	1.32

These ratios show a improved current asset to current liability position at year end and the entity embarked on numerous initiatives which seek to improve debt collection and minimise electricity losses which included debt payment incentives.

Gearing ratio

Borrowings	108 607 631	138 853 808	108 607 631	138 853 808
Net assets	32 274 184 599	26 890 787 329	32 260 295 076	26 883 913 048
Borrowings as a percentage of net assets	0.34 %	0.52 %	0.34 %	0.52 %

Financially the entity is sound with borrowings accounting for less than 1% of the net assets for the year under review.

Operating results and Cash flows from operating activities

Total revenue	10 190 550 934	8 778 600 433	10 180 866 507	8 766 014 734
Operating expenditure	(10 646 200 717)	(9 406 951 751)	(10 643 531 551)	(9 378 033 910)
Operating (deficit)	(455 649 783)	(628 351 318)	(462 665 044)	(612 019 176)
Cash flows from operating activities	1 140 201 420	1 451 594 297	1 122 503 317	1 451 574 739
Cash and cash equivalents	720 986 557	679 974 997	683 762 515	659 988 423

The City's operating results reflect an improvement from a deficit to a surplus in the current and this is also achieved with an increase in cash balance at year end.

Operational forecast

	2025	2026	2027
Operating Revenue	10 176 917 150	10 977 642 052	11 821 177 918
Operating expenditure less Depreciation	(9 604 105 886)	(10 367 040 832)	(11 155 003 170)
Surplus	572 811 264	610 601 220	666 174 748

The annual Division of Revenue act has made allocation throughout the Medium Term Revenue Expenditure Framework against the fact that the Municipal Demarcation board has not re-demarcated the City for amalgamation. This is also coupled by the National Treasury Benchmark assessment reflecting the City's finances are fragile but funded. This is sustainable as surpluses are increasing, thereby the Annual Financial Statements are prepared on a Going Concern.

60. Events after the reporting date

There are no events after reporting date to be disclosed.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

61. Unauthorised expenditure

Opening balance as previously reported	-	163 702 130	-	163 702 130
Add: Unauthorised expenditure - current	368 454 149	-	403 496 432	-
Less: Expenditure authorised in terms of section 32 of the MFMA	-	(163 702 130)	-	(163 702 130)
Closing balance	368 454 149	-	403 496 432	-

Non-cash	368 454 149	-	403 496 432	-
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Analysed as follows: non-cash

Finance charges (Interest)	32 618 557	-	32 618 557	-
Loss on derecognition of assets	335 835 592	-	351 785 621	-
Other losses	-	-	19 092 254	-
	368 454 149	-	403 496 432	-

The 2023 unauthorised expenditure:

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

Unauthorised expenditure: Budget overspending – per directorate:

Economic Development & Agencies	-	-	37 391 353	-
Solid Waste & Environmental Management	36 092 597	-	36 092 597	-
Infrastructure services	230 157 920	-	230 157 920	-
	266 250 517	-	303 641 870	-

The 2024 unauthorised expenditure:

The unauthorised expenditure of R32 618 557 relates to non-cash accrued interest in respect of the Landfill Provision and the unauthorised expenditure of R335 835 592 relates to loss on derecognition of assets.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

62. Fruitless and wasteful expenditure

Opening balance as previously reported	11 239 831	11 239 831	10 731 676	10 731 676
Add: Fruitless and wasteful expenditure identified - current	693 154	65 877	692 826	53 713
Add: Fruitless and wasteful expenditure identified - prior period	48 899 958	-	-	-
Less: Amount written off - current	(10 442 676)	-	(10 442 676)	-
Less: Amount recoverable	-	(65 877)	-	(53 713)
Closing balance	50 390 267	11 239 831	981 826	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 1 (2023: 21) which relate to payment made without reasonable care.

R48.9 million of fruitless and wasteful expenditure was incurred in previous year but discovered in the current year and relates to poor project management during the construction of the Water World and Court Crescent Parks.

Amount recoverable

There are no recoverable amounts.

Amount written-off

After the MPAC investigations, Council adopted the MPAC recommendations to write-off R10 442 676 from the total fruitless and wasteful expenditure amount as it was proven to be irrecoverable.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated
63. Irregular expenditure				
Opening balance as previously reported	10 956 577 260	9 216 993 440	10 930 305 816	9 216 993 440
Restatement	(60 198 838)	-	(60 198 838)	-
Opening balance as restated	10 896 378 422	9 216 993 440	10 870 106 978	9 216 993 440
Add: Irregular Expenditure - current	1 330 886 824	1 739 583 821	1 317 740 495	1 713 312 376
Less: Amounts ratified / approved as irrecoverable by Council and written off	(1 671 569 275)	(60 198 838)	(1 632 404 216)	(60 198 838)
Closing balance	10 555 695 971	10 896 378 423	10 555 443 257	10 870 106 978
Analysis of expenditure awaiting write-off per age classification				
Prior years (Opening balance)	10 896 378 422	9 216 993 440	10 870 106 978	9 216 993 440
Current year	1 330 886 824	1 739 583 821	1 317 740 495	1 713 312 376
Less: Amounts ratified / approved as irrecoverable by Council and written off	(1 671 569 275)	(60 198 838)	(1 632 404 216)	(60 198 838)
	10 555 695 971	10 896 378 423	10 555 443 257	10 870 106 978
Details of irregular expenditure				
Procurement made outside SCM regulations	1 226 753 687	1 603 009 820	1 226 753 687	1 603 009 820
Bid Construction Contracts (BCC)	57 841 873	23 287 237	57 841 873	23 287 237
Annual contracts	20 642 181	51 527 110	20 642 181	51 527 110
Informal contracts	12 502 754	9 402 801	12 502 754	9 402 801
3 Quotation System	-	903 976	-	903 976
Services of the state - Section 44 - Not-declared state employees	-	192 498	-	192 498
Expired leases	-	24 988 934	-	24 988 934
Bid Adjudication Committee - BCMDA	13 146 329	26 271 445	-	-
	1 330 886 824	1 739 583 821	1 317 740 495	1 713 312 376
64. In-kind donations and assistance				
FELZOO donated assistance to BCMM	134 146	10 690	134 146	10 690
FELA donated assistance to BCMM	6 000	3 600	6 000	3 600
Nahoon Point Nature Reserve	90 099	48 154	90 099	48 154
	230 245	62 444	230 245	62 444
The nature of the above In-kind donations and assistance amounts are ad-hoc cash donations which are non-exchange transactions.				
65. Additional disclosure in terms of Municipal Finance Management Act				
Contributions to organised local government				
Current year subscription / fee	18 592 903	17 237 606	18 592 903	17 237 606
Amount paid - current year	(18 592 903)	(17 237 606)	(18 592 903)	(17 237 606)
	-	-	-	-
Contributions to SA Cities Network				
Add: Losses identified - prior period	5 275 564	5 024 900	5 275 564	5 024 900
Less: Amounts recovered - current	(5 275 564)	(5 024 900)	(5 275 564)	(5 024 900)
	-	-	-	-
Audit fees				
Current year subscription / fee	23 917 137	25 752 648	22 982 780	24 863 782
Amount paid - current year	(23 917 137)	(25 752 648)	(22 982 780)	(24 863 782)
	-	-	-	-

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

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

PAYE, UIF and Skills Development Levy

Opening balance	1 068 131	589 580	-	-
Current year subscription / fee	448 417 921	432 552 216	441 353 187	422 027 857
Amount paid - current year	(448 837 107)	(432 073 665)	(441 353 187)	(422 027 857)
	648 945	1 068 131	-	-

Amounts in respect of June 2024 were paid by the 7 July 2024 as per legislation, therefore there were no outstanding amounts for the financial year 2023/24.

Pension and Medical Aid Deductions

Opening balance	136 854	134 818	-	-
Current year subscription / fee	652 437 795	625 116 904	650 795 027	623 067 562
Amount paid - current year	(652 517 139)	(625 114 868)	(650 795 027)	(623 067 562)
	57 510	136 854	-	-

Amounts in respect of June 2024 were paid by the 7 July 2024 as per legislation, therefore there were no outstanding amounts for the financial year 2023/24.

VAT

VAT receivable	161 895 115	107 509 649	162 743 765	108 222 754
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VAT output payables and VAT input receivables are shown in note 22.

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

Councillors' arrear consumer accounts

Arrear Councillors accounts totalling R0 were outstanding for more than 90 days at 30 June 2024 (2023 R50 388) for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor.

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

At year end, officials accounts totalling R15 194 711 (2023: R9 308 126) were outstanding for more than 90 days.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023 *Restated	2024	2023 *Restated

66. 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 R171 560 342 (2023: R178 745 187) 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	6	24 760 484	6	24 760 484
Sole supplier	18	107 776 079	18	107 776 079
Other exceptional cases	13	39 023 779	7	32 587 149
	37	171 560 342	31	165 123 712

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

67. Segment information

General information

Identification of segments

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

Types of goods and/or services by segment

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

Reportable segment

Community and Public Safety

Economic and Environmental Services

Municipal Governance and Administration

Trading Services

Other

Goods and/or services

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

Helps the Metro to make better decisions by identifying resources, understanding the needs of the public and formulate plans to make the local economy fully functional and investor friendly.

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

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

Tourism promotion & development and Operations of fresh produce market.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Economic entity 2024

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	434 092	4 333 394 732	-	4 333 828 824
Rental of facilities and equipment	2 674 280	1 895 641	15 778 412	-	2 877 798	23 226 131
Construction contract	91 712 400	-	-	-	-	91 712 400
Agency fees	18 764 272	-	-	-	-	18 764 272
Other revenue (exchange)	16 595 372	12 045 017	19 538 440	3 073 109	31 804 833	83 056 771
Interest received	-	1 686 008	326 691 825	-	-	328 377 833
Property rates	-	-	2 127 633 956	-	-	2 127 633 956
Licences and permits (non-exchange)	13 430 649	-	-	-	267 182	13 697 831
Interest (non-exchange)	-	-	112 362 090	-	-	112 362 090
Government grants and subsidies	358 480 348	361 558 300	523 720 163	847 026 411	39 412 815	2 130 198 037
Other revenue (non-exchange)	97 920 061	-	-	-	-	97 920 061
Public contributions and donations	-	-	-	22 409 060	-	22 409 060
Fines	65 437 669	-	-	-	-	65 437 669
Fuel levy	-	-	741 926 000	-	-	741 926 000
Total segment revenue	665 015 051	377 184 966	3 868 084 978	5 205 903 312	74 362 628	10 190 550 935

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. Segment information (continued)

Expenditure

Employee related cost	(923 352 289)	(237 832 619)	(793 058 952)	(698 709 033)	(48 255 915)	(2 701 208 808)
Remuneration of councillors	-	(1 992 201)	(68 967 377)	-	-	(70 959 578)
Inventory consumed	(27 935 691)	(10 497 141)	(13 918 980)	(282 632 752)	(1 971 480)	(336 956 044)
Depreciation and amortisation	(112 655 579)	(957 018 775)	(187 504 196)	(634 694 166)	-	(1 891 872 716)
Finance cost	(967 504)	(3 386 134)	(975 723)	(40 593 584)	(287 680)	(46 210 625)
Debt impairment	(109 794 389)	-	(638 795 107)	(588 128 380)	-	(1 336 717 876)
Bulk purchases	-	-	-	(2 252 355 443)	-	(2 252 355 443)
Repairs and maintenance	(19 567 293)	(120 900 760)	(74 022 327)	(269 427 361)	(1 187 757)	(485 105 498)
Contracted services	(140 075 349)	(21 010 096)	(130 314 823)	(78 024 194)	(15 766 857)	(385 191 319)
Grants and subsidies paid	(244 588)	-	(37 465 860)	(24 221 798)	(9 384 222)	(71 316 468)
General expenses	(82 853 457)	(23 896 814)	(278 073 354)	(226 018 473)	(21 478 534)	(632 320 632)
Gain/(loss) on disposal of assets	-	289 434 005	25 434 425	(613 633 741)	(52 905 556)	(351 670 867)
Inventories losses/write-downs	-	11 766	(266 513)	(147 964 077)	-	(148 218 824)
Fair value adjustments	-	-	23 153 674	-	-	23 153 674
Share of surplus of associate	-	-	40 750 306	-	-	40 750 306
Total segment expenditure	(1 417 446 139)	(1 087 088 769)	(2 134 024 807)	(5 856 403 002)	(151 238 001)	(10 646 200 718)
Total segmental surplus/(deficit)	(752 431 088)	(709 903 803)	1 734 060 171	(650 499 690)	(76 875 373)	(455 649 783)
Total Revenue as per Statement of Financial Performance						10 190 550 934
Total Expenditure as per Statement of Financial Performance						(10 210 215 006)
Other items as per Statement of Financial Performance						(435 985 711)
Economic entity's (deficit) for the period						(455 649 783)

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 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. Segment information (continued)

Economic entity 2023

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	673 674	3 626 467 221	-	3 627 140 895
Rental of facilities and equipment	2 391 351	1 696 625	17 976 039	-	2 436 914	24 500 929
Construction contract	88 113 517	-	-	-	-	88 113 517
Agency fees	21 870 747	-	-	-	-	21 870 747
Other revenue (exchange)	12 777 554	12 028 390	16 547 046	4 553 905	29 423 596	75 330 491
Interest received	-	1 117 008	246 310 345	-	-	247 427 353
Property rates	-	-	1 784 853 533	-	-	1 784 853 533
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	489 095 969	788 210 742	31 301 255	1 936 173 537
Other revenue (non-exchange)	86 302 838	-	-	-	-	86 302 838
Public contributions and donations	1 085 056	-	-	3 075 369	-	4 160 425
Fines	65 631 493	-	-	-	-	65 631 493
Fuel levy	-	-	719 203 000	-	-	719 203 000
Total segment revenue	627 081 873	305 497 240	3 360 335 245	4 422 307 237	63 378 838	8 778 600 433

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. Segment information (continued)

Expenditure

Employee related cost	(880 862 271)	(236 131 815)	(617 852 845)	(664 042 487)	(45 025 081)	(2 443 914 499)
Remuneration of councillors	-	(2 470 523)	(69 129 084)	-	-	(71 599 607)
Inventory consumed	(29 292 619)	(11 305 171)	(17 268 263)	(288 948 843)	(4 051 114)	(350 866 010)
Depreciation and amortisation	(109 498 097)	(961 484 211)	(178 828 361)	(646 785 245)	-	(1 896 595 914)
Finance cost	(1 344 795)	(4 669 103)	(1 356 220)	(40 546 230)	(399 868)	(48 316 216)
Debt impairment	(141 170 802)	-	(578 514 388)	(236 800 490)	-	(956 485 680)
Bulk purchases	-	-	-	(1 912 233 731)	-	(1 912 233 731)
Repairs and maintenance	(44 964 448)	(130 435 328)	(112 833 854)	(226 362 564)	(8 591 438)	(523 187 632)
Contracted services	(126 850 820)	(27 831 075)	(107 666 793)	(99 780 402)	(10 168 616)	(372 297 706)
Grants and subsidies paid	(11 212 936)	-	(55 591 478)	(20 969 248)	(4 181 823)	(91 955 485)
General expenses	(85 489 531)	(32 835 448)	(300 245 057)	(151 823 236)	(16 999 903)	(587 393 175)
Gain/(loss) on disposal of assets	-	21 590	2 591 325	-	-	2 612 915
Inventories losses/write-downs	-	(22 426)	(138 990)	(143 452 421)	-	(143 613 837)
Fair value adjustments	-	-	9 064 100	-	-	9 064 100
Share of surplus of associate	-	-	(20 142 918)	-	-	(20 142 918)
Impairment loss	-	(26 356)	-	-	-	(26 356)
Total segment expenditure	(1 430 686 319)	(1 407 189 866)	(2 047 912 826)	(4 431 744 897)	(89 417 843)	(9 406 951 751)
Total segmental surplus/(deficit)	(803 604 446)	(1 101 692 626)	1 312 422 419	(9 437 660)	(26 039 005)	(628 351 318)
Total Revenue as per Statement of Financial Performance						8 778 600 433
Total Expenditure as per Statement of Financial Performance						(9 254 845 655)
Other items as per Statement of Financial Performance						(152 106 096)
Economic entity's (deficit) for the period						(628 351 318)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. Segment information (continued)

Controlling entity 2024

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Revenue						
Service charges	-	-	434 092	4 333 394 732	-	4 333 828 824
Rental of facilities and equipment	2 674 280	1 805 515	15 778 412	-	2 877 798	23 136 005
Construction contract	91 712 400	-	-	-	-	91 712 400
Agency fees	18 764 272	-	-	-	-	18 764 272
Other revenue (exchange)	16 595 372	12 044 717	19 538 440	3 073 109	31 804 833	83 056 471
Interest received	-	-	326 691 825	-	-	326 691 825
Property rates	-	-	2 127 633 956	-	-	2 127 633 956
Licences and permits (non-exchange)	13 430 649	-	-	-	267 182	13 697 831
Interest (non-exchange)	-	-	112 362 090	-	-	112 362 090
Government grants and subsidies	358 480 348	353 650 307	523 720 163	847 026 411	39 412 815	2 122 290 044
Other revenue (non-exchange)	97 920 061	-	-	-	-	97 920 061
Public contributions and donations	-	-	-	22 409 060	-	22 409 060
Fines	65 437 669	-	-	-	-	65 437 669
Fuel levy	-	-	741 926 000	-	-	741 926 000
Total segment revenue	665 015 051	367 500 539	3 868 084 978	5 205 903 312	74 362 628	10 180 866 508

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. Segment information (continued)

Expenditure

Employee related cost	(923 352 289)	(194 111 863)	(793 058 952)	(698 709 033)	(48 255 912)	(2 657 488 049)
Remuneration of councillors	-	-	(68 967 377)	-	-	(68 967 377)
Inventory consumed	(27 935 691)	(10 464 370)	(13 918 980)	(282 632 752)	(1 971 481)	(336 923 274)
Depreciation and amortisation	(112 655 579)	(955 935 347)	(187 504 196)	(634 694 166)	-	(1 890 789 288)
Finance cost	(967 504)	(3 359 021)	(975 723)	(40 593 584)	(287 680)	(46 183 512)
Debt impairment	(109 794 389)	-	(638 795 107)	(588 128 380)	-	(1 336 717 876)
Bulk purchases	-	-	-	(2 252 355 443)	-	(2 252 355 443)
Repairs and maintenance	(19 567 293)	(120 881 621)	(74 022 327)	(269 427 361)	(1 187 756)	(485 086 358)
Contracted services	(140 075 349)	(12 327 329)	(130 314 823)	(78 024 194)	(15 766 857)	(376 508 552)
Grants and subsidies paid	(244 588)	-	(37 465 860)	(24 221 798)	(69 598 719)	(131 530 965)
General expenses	(82 853 457)	(15 775 481)	(278 073 354)	(226 018 473)	(22 261 323)	(624 982 088)
Gain/(loss) on disposal of assets	-	289 432 711	25 434 425	(613 633 741)	(52 905 555)	(351 672 160)
Fair value adjustments	-	-	23 153 674	-	-	23 153 674
Share of surplus of associate	-	-	40 750 306	-	-	40 750 306
Inventories losses/write-downs	-	-	(266 513)	(147 964 077)	-	(148 230 590)
Total segment expenditure	(1 417 446 139)	(1 023 422 321)	(2 134 024 807)	(5 856 403 002)	(212 235 283)	(10 643 531 552)
Total segmental surplus/(deficit)	(752 431 088)	(655 921 782)	1 734 060 171	(650 499 690)	(137 872 655)	(462 665 044)
Total Revenue as per Statement of Financial Performance						10 180 866 507
Total Expenditure as per Statement of Financial Performance						(10 207 532 780)
Other items as per Statement of Financial Performance						(435 998 771)
Controlling entity's (deficit) for the period						(462 665 044)

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 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. 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	3 626 467 222	-	3 627 140 896
Rental of facilities and equipment	2 391 351	1 696 625	17 976 039	-	2 436 911	24 500 926
Construction contract	88 113 517	-	-	-	-	88 113 517
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	-	-	246 310 345	-	-	246 310 345
Property rates	-	-	1 784 853 533	-	-	1 784 853 533
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	489 095 970	788 210 742	31 301 253	1 925 040 153
Other revenue (non-exchange)	86 302 838	-	-	-	-	86 302 838
Public contributions and donations	1 085 056	-	-	3 075 369	-	4 160 425
Fines	65 631 493	-	-	-	-	65 631 493
Fuel levy	-	-	719 203 000	-	-	719 203 000
Total segment revenue	627 081 876	292 911 542	3 360 335 246	4 422 307 238	63 378 830	8 766 014 732

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

67. Segment information (continued)

Expenditure

Employee related cost	(880 862 271)	(191 994 054)	(617 852 845)	(664 042 487)	(45 025 080)	(2 399 776 737)
Remuneration of councillors	-	-	(69 129 084)	-	-	(69 129 084)
Inventory consumed	(29 292 619)	(11 269 112)	(17 268 263)	(288 948 843)	(4 051 115)	(350 829 952)
Depreciation and amortisation	(109 498 097)	(960 654 752)	(178 828 361)	(646 785 245)	-	(1 895 766 455)
Finance cost	(1 344 795)	(4 668 920)	(1 356 220)	(40 546 230)	(399 868)	(48 316 033)
Debt impairment	(141 170 802)	-	(578 514 388)	(236 800 490)	-	(956 485 680)
Bulk purchases	-	-	-	(1 912 233 731)	-	(1 912 233 731)
Repairs and maintenance	(44 964 448)	(130 415 286)	(112 833 854)	(226 362 564)	(8 591 438)	(523 167 590)
Contracted services	(126 850 820)	(11 466 890)	(107 666 793)	(99 780 402)	(10 168 616)	(355 933 521)
Grants and subsidies paid	(11 212 936)	-	(55 591 478)	(20 969 248)	(49 721 222)	(137 494 884)
General expenses	(85 489 531)	(20 565 484)	(300 245 057)	(151 823 236)	(18 698 029)	(576 821 337)
Gain/(loss) on disposal of assets	-	-	2 591 325	-	-	2 591 325
Fair value adjustments	-	-	9 064 100	-	-	9 064 100
Share of surplus of associate	-	-	(20 142 918)	-	-	(20 142 918)
Inventories losses/write-downs	-	-	(138 990)	(143 452 421)	-	(143 591 411)
Total segment expenditure	(1 430 686 319)	(1 331 034 498)	(2 047 912 826)	(4 431 744 897)	(136 655 368)	(9 378 033 908)
Total segmental surplus/(deficit)	(803 604 443)	(1 038 122 956)	1 312 422 420	(9 437 659)	(73 276 538)	(612 019 176)
Total Revenue as per Statement of Financial Performance						8 766 014 734
Total Expenditure as per Statement of Financial Performance						(9 225 955 006)
Other items as per Statement of Financial Performance						(152 078 904)
Controlling entity's (deficit) for the period						(612 019 176)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

67. Segment information (continued)

Information about geographical areas

The municipality's operations are in the Eastern Cape Province.

The reason for non-disclosure of geographical areas is because it is considered to be irrelevant for decision making purposes. The municipality's geographical areas of operation are considered as a single geographical area for decision making purposes.

68. 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.

Government Technical Advisory Centre

BCMM has requested GTAC support services to assist with a series of projects detailed in the Memorandum of agreement over a period of five (5) years. GTAC will assist with project preparation and packaging for funding basis through appointing transactional advisors. The Cost of each project is entailed in the MOA and shall be paid in the new year. In this arrangement, GTAC is an agent of the entity and the entity is a Principal.

Housing Development Agency (HDA)

BCMM has entered into an agreement with Housing Development Agency as an agent to the construction of certain RDP projects as listed in the agreement. BCMM pays HDA on invoices received for such projects.

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 R18 764 272 (2023: R21 870 747).

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 46 Grant and subsidies paid and note 55 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 46, Grant and subsidies paid and note 55 Related parties for further details.

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated
69. Cash flows from operating activities				
Sale of goods and services				
Total revenue from Statement of Financial Performance	10 190 550 934	8 778 600 433	10 180 866 507	8 766 014 734
Less: Interest received (exchange) 30	(328 377 833)	(247 427 353)	(326 691 825)	(246 310 345)
Less: Interest received (non-exchange) 33	(112 362 090)	(85 675 639)	(112 362 090)	(85 675 639)
Less: Government grants and subsidies 34	(2 130 198 037)	(1 936 173 537)	(2 122 290 044)	(1 925 040 153)
Movement in receivables from exchange transactions 50	(1 167 642 588)	(697 679 917)	(1 161 077 268)	(708 971 632)
Movement in receivables from non-exchange transactions 50	(694 648 930)	(399 953 910)	(694 648 930)	(399 953 910)
	5 757 321 456	5 411 690 077	5 763 796 350	5 400 063 055
Government grants and subsidies				
Government grants and subsidies 34	2 130 198 037	1 936 173 537	2 122 290 044	1 925 040 153
Movement in unspent conditional grant 50	34 422 008	(28 306 652)	23 552 974	(20 480 652)
	2 164 620 045	1 907 866 885	2 145 843 018	1 904 559 501
Employee costs & Councillors remuneration				
Employee related costs 36	(2 701 208 808)	(2 443 914 499)	(2 657 488 049)	(2 399 776 737)
Councillors remuneration 37	(70 959 578)	(71 599 607)	(68 967 377)	(69 129 084)
Movement in post-retirement medical aid benefit obligation 50	62 542 000	(80 157 000)	62 542 000	(80 157 000)
Movement in bonus provision 19	7 537 043	(1 749 013)	6 466 054	(1 098 241)
	(2 702 089 343)	(2 597 420 119)	(2 657 447 372)	(2 550 161 062)
Suppliers and other payments				
Total expenditure as per the Statement of Financial Performance	(10 210 215 006)	(9 254 845 655)	(10 207 532 780)	(9 225 955 006)
Less: Employee related costs 36	2 701 208 808	2 443 914 499	2 657 488 049	2 399 776 737
Less: Councillors remuneration 37	70 959 578	71 599 607	68 967 377	69 129 084
Less: Finance costs 40	11 564 956	16 075 060	11 564 956	16 074 877
Less: Depreciation and amortisation 39	1 891 872 716	1 896 595 914	1 890 789 288	1 895 766 455
Less: Debt Impairment 42	1 336 717 876	956 485 680	1 336 717 876	956 485 680
Less: Finance costs - Finance leases 50	27 113	-	-	-
Movement in other provisions 19	11 597 759	183 128	11 597 759	183 128
Movement in prepayments 50	-	104 436	-	-
Movement in trade payables from exchange transactions 50	(86 500 821)	242 468 537	(90 648 156)	237 676 865
Movement in inventory 50	(166 770 824)	(150 250 462)	(166 770 824)	(150 250 462)
Movements in operating lease liability 50	63 342	20 947	-	-
Movement in consumer deposits 50	3 521 156	3 823 064	3 521 156	3 823 064
Non-cash adjustments 50	(72 872 358)	186 254 767	(72 872 339)	178 491 716
	(4 508 825 705)	(3 587 570 478)	(4 557 177 638)	(3 618 797 862)

Buffalo City Metropolitan Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

70. Retirement contribution information

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- LA Retirement Fund
- Cape/Consolidated Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- Municipal Worker's Retirement Fund
- SALA Pension Fund
- Municipal Employees Pension Fund
- Municipal Councillors Pension Fund
- National Fund for Municipal Workers
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- East London Municipal A Band Provident Fund

The LA Retirement Fund's last actuarial valuation was at 30 June 2023 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was in a sound financial condition with a funding level of 106.9%.

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 2023 conducted by E. Du Toit from Alexander Forbes Financial Services, who confirmed that the fund was in a sound financial position. The funding level was at 100.8% at valuation date.

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

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

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

The Municipal Employees Pension Fund's last interim valuation was at 29 February 2020 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The report stated that the fund was financially sound for the purposes of the Pension Fund Act of 1956

The Municipal Councillors Pension Fund's last valuation was at 30 June 2021 prepared by Mothapo R. and Barnard G.M. from Moruba Consultants and Actuaries. The report stated that the funding level was at 100% at the time of valuation.

The National Fund for Municipal Worker's last Actuarial Valuation was at 30 June 2023 and prepared by G. Grobler from Alexander Forbes Financial Services who confirmed that the fund continues to be able to meet its liabilities. The funding level was 100%

The East London Municipal A Band and the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contributions funds. It is therefore not necessary to perform an actuarial valuation for these funds.

It is Council's policy to fund 60% of Pensioner's medical aid expenses. The current costs amount to approximately R24,5 million.

An amount of R439.8 million (2023: R424.1 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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023 *Restated	2024	2023 *Restated

71. Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to family of an employee in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded in the declaration-of-interest form:

Connected person	Position held	Institution	2024	2023
N. Tyobosini	Security guard	BCMM	204 002	-
L. Boya	Communications Officer	BCMM	-	2 517 906
M. Mqikela	Skills development	BCMM	733 175	2 670 414
S. Mxesibe	Geomatics Technician	BCMM	1 075 883	245 916
C.F. Stoffels	Informal contract	BCMM	1 362 414	4 209 569
A. Qwede	Office Manager	BCMM	-	107 266
H.C. Prince	Administrative officer	BCMM	513 515	466 628
Z. Gqokoza	Equipment operator	BCMM	109 881	143 187
S.C. Nkubungu	Project Manager	BCMM	-	1 192 774
S. Sopazi	Staff accounts	BCMM	65 450	165 273
Z. Mkwanti	Artisan Assistant	BCMM	-	171 325
S. Xoki	Chief risk officer	BCMM	547 255	3 623 857
A. Fredericks	Senior meter reader	BCMM	238 511	159 522
Z. Ndzondo	Bid Secretariat	BCMM	191 130	9 717 529
A. Ceba	BCX Director	Transnet Group	32 374 239	19 995 211
T. Goba	Director	Public Investment Corporation Limited	-	4 050 168
J.S.P. Matsebula	Director	Technology Innovation Agency	925 940	773 975
K.P. Mfene	Admin clerk	SAPS	103 200	58 300
H. Nazir	Teacher	EC Education	1 304 626	699 575
V. Zitumane	BCMDA Board member	BCMDA	3 103 793	4 082 851
			42 853 014	55 051 246

72. Change in estimate

Property, plant and equipment

The remaining useful lives of certain infrastructure assets have been revised during the 2023/2024 financial year based on their condition assessment to accurately reflect the systematic consumption of economic benefits or service potential embodied in these assets. The effect of the change in remaining useful lives of assets has resulted to the increase in the revaluation surplus with a prospective decrease of the depreciation expense as the affected assets will be depreciating at lower rate over their remaining useful lives. It is impracticable to estimate the effect of these changes on future periods.