



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

# DRAFT ANNUAL REPORT 2021/2022

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# CHAPTER 1

## MAYOR'S FOREWORD AND EXECUTIVE SUMMARY



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

## BACKGROUND INFORMATION

In terms of Chapter 12, section 121 (1) of the Municipal Finance Management Act (MFMA),

“Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The Council of the municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control in accordance with Section 129.”

Furthermore, Section 127 stipulates that:

“The mayor of the municipality must, within seven months after the end of the financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control.”

In compliance with the above legislative requirements, Buffalo City Metropolitan Municipality (BCMM) has developed this Annual Report 2021/2022 to communicate with BCMM residents, businesses, rate payers and other community organizations about council business, its services, performance, achievements and highlights for the year under review. Like any other state organ, organization or entity, BCMM is being guided by its vision, mission statement, core values and strategic objectives when delivering its mandate.

### BCMM VISION

Buffalo City Metropolitan municipality is guided by the following long-term vision: *“Buffalo City: well-governed, connected, green and innovative.”*

- We are a city that re-invented itself from a divided and fragmented past.
- We are a successful, prosperous and dynamic modern city: enterprising, green, connected, spatially-integrated and well-governed.
- We are proud of our beautiful coastal city, capital of the Eastern Cape Province, home of a globally-competitive auto industry with excellent educational and medical facilities.

### MISSION STATEMENT

Buffalo City Metropolitan Municipality is a City that:

- Promotes a culture of good governance;
- Provides effective and efficient municipal services;
- Invests in the development and retention of human capital to service BCMM and its community;
- Promotes social and equitable economic development;
- Ensures municipal sustainability and financial viability;
- Creates a safe and healthy environment; and
- Places Batho Pele at the centre of service delivery.

### CORE VALUES

We are a City that espouses the following values:

- Good governance
- Fairness and equity
- Recognition of human capital
- Professionalism
- Service excellence
- Respect for cultural diversity
- Innovation
- Unity of purpose
- Ubuntu

## STRATEGIC OBJECTIVES

BCMM strives to realize the following five strategic outcomes by the year 2030.

- **An innovative and productive City:** with rapid and inclusive economic growth, and a decline in unemployment.
- **A green City:** environmentally sustainable with optimal benefits from our natural assets. A clean and healthy City of subtropical gardens.
- **A connected City:** high-quality (and competitively priced) connections to ICT, electricity and transport networks (inside BCMM and to the outside world).
- **A spatially-transformed City:** progressively overcome apartheid spatial divisions and fragmentation with township economies becoming more productive.
- **A well-governed City:** a smart and responsive municipality (working with other levels of government) that plans and efficiently delivers high quality services and cost-effective infrastructure, without maladministration and political disruptions.

To achieve its objectives, BCMM formulated an inclusive and broad-based Metro Growth and Development Strategy (MGDS 2030), which is anchored on five strategic imperatives, namely:

PILLARS OF THE BCMM GROWTH AND DEVELOPMENT STRATEGY – VISION 2030	
Strategic pillar 1	An inclusive and sustainable economic growth
Strategic pillar 2	A globally connected City
Strategic pillar 3	A clean and environmentally sustainable City
Strategic pillar 4	A spatially transformed City
Strategic pillar 5	A well governed City





# **CHAPTER 1**

## **MAYOR'S FOREWORD AND EXECUTIVE SUMMARY**

### **Component A: Executive Mayor's Foreword**

**COMPONENT A: EXECUTIVE MAYOR'S FOREWORD**



## MAYOR'S FOREWORD

### 1. VISION

*Fellow Residents and Stakeholders of Buffalo City,*

We are once more at that time of the year when we are required to report in detail to you regarding how we lead the municipality. We are presenting this report during a period where there is hope in our country that things will get better from the devastating impact of Covid 19, which negatively impacted our lives and livelihoods for all of 2020 and 2021. In the middle of the year under review, the Covid 19 numbers started to drop, and the President of the Republic officially declared an end to the state of disaster.

However, it is saddening that as we recover from the effects of Covid 19, our city experiences two disasters: one natural and another man-made. First, on the 12th of January 2022, we experienced flash floods which caused massive devastation to many communities. The storm caused death and devastation, mainly in Mdantsane and Duncan Village, killing nine people and displacing hundreds of families. In addition, the infrastructure of our city was hard hit, particularly roads, electrical infrastructure, buildings, and water infrastructure.

We also experienced the greatest human-made disaster ever to befall our city since the dawn of democracy. I am referring to the death of 21 children in a Tavern in Scenery Park. What happened at Enyobeni Tavern in Scenery Park on the morning of the 26th of June 2022 is not only a misfortune but an injustice that is a critical reflection of the deepness of the erosion caused by popular culture, substances, and poor moral grounding in our communities.

Despite these challenges, we are reporting that we have been able to achieve substantial progress on the developmental front, and the overwhelming mandate confirmed this that the people of Buffalo City gave to the governing organisation. Nevertheless, this was a sign that more work ought to continue, and we have committed ourselves to rest only after all our objectives have been achieved.

### 2. KEY DEVELOPMENTS

The year under review included the transition of the Council, as there were elections in November 2021. I am proud to report that this was smooth. We have solidified our governance as our structures are functioning. I am proud to report that our Council is fully functional, with all its meetings sitting as scheduled.

Assisting Council in the execution of its duties is a competent administration that meets the National Treasury's competency assessment criteria. The five-year term of the City Manager, Mr Andile Sihlahla, ended in May during the year under review, and we wish him well in his future endeavours.

The MGDS is now embedded in the IDP and SDBIP. The Built Environment Performance Plan of our Metro has been rated as the best amongst all Municipalities in South Africa, scoring 90 per cent in terms of the National Treasury's ratings. This is proof that we are deliberate in building infrastructure which has an immediate and long-term impact on the city's residents and the economy.

### 3. KEY SERVICE DELIVERY IMPROVEMENTS

On the development front, we have upped the tempo with major construction projects happening across the City and visible as you enter from all angles. The City is an active construction site from the Beachfront towards the Airport to Breidbach and many other areas.

We have ensured that 4 per cent of the revenue generated is reinvested into the electrical network to remain reliable and meet safety standards. We will continue upgrading and refurbishing the main 132 Kilovolt substations, overhead lines, and related networks. This is a very critical project as this is the main electricity in-feed to the City.

Over the years, we have undertaken electrical capital infrastructure upgrades in Qonce, Breidbach, Woodbrook, West Bank, Wilsonia, Gompo, East London City Centre, Zwelitsha, Buffalo Flats, Wilsonia and many other suburbs within the Metro. At this time of uncertainty regarding energy due to the challenges of Eskom, we do not want to contribute to businesses and households not having electricity. We are proud to declare that our electricity network is one of the most reliable networks in the country.



In the year under review, we have electrified several new formal households, such as the Chicken Farm settlement in Reeston. Our informal electrification programme is also continuing, with R10 million spent on the electrification of everyday households in Dacawa and Kwa Cliff.

We are continuing with our Energy Efficiency Demand Side Management Programme, installing LED Street Lights throughout the Metro. Each year we allocate an amount of R9 Million to this project, and we will continue to roll it out until we have covered all areas of our Metro.

In the year under review, we built and handed over 836 houses to the relevant beneficiaries together with the Provincial Department of Human Settlements. We are scaling up our human settlements delivery, and we have partnered with the Housing Development Agent to deliver 4,249 houses over the next three years.

Construction for the Settlers Way Road project towards the King Phalo Airport began. This project will create a seamless traffic flow for businesses and motorists travelling around the West Bank area. In addition, we continue to make the necessary improvements in the construction, refurbishment, and rehabilitation of roads within communities.

During the year under review, we accelerated our focus on waste management, particularly removing illegal dumps and regular street cleaning. As a result, we can confirm now that refuse is being collected regularly and work is being done to improve the cleanliness of public spaces.

#### **4. PUBLIC PARTICIPATION**

Public participation is essential for our municipality because we believe that it not only earns us legitimacy but also affirms the principle of democracy, being the Government of the people, by the people, for the people.

Our governance will only be sufficient if we get Buffalo City's residents' views on how they want their resources to be spent. So we had intensive Integrated Development Planning consultations where we gave feedback to the communities on their ward priorities and solicited their views on the IDP and the Budget.

This process also entailed engaging, organised stakeholders. All the engagements were successful, and the issues the communities raised were consolidated into the IDP and Budget implemented in the current financial year. We continuously work to ensure that residents' concerns are listened to and that the priorities identified for their wards are attended to with the necessary urgency.

#### **5. FUTURE ACTIONS**

We continue to implement our mega road projects and have appointed a contractor for Phase 2 of the Sleeper Site Road, starting from Moore Street, connecting to the revamped Fleet Street. We have also appointed a contractor to construct the next phase of the Qumza Highway Project in Mdantsane, starting from the Mazindlekhaya Intersection to the Sasol Garage Intersection in NU13.

As part of the city's investment strategy, we have resolved that we will be aggressive in positioning our city as a credible investment destination. We will do so by working more closely with the East London IDZ in designing investor attraction packages that will lead to many more companies choosing to locate in our city.

The IDZ has performed well over the past few years, but more potential still exists in our economy, and the announced development of the Port of East London will unlock such potential. The announced investment of R4,3 billion into the development of the Port of East London by the Transnet National Ports Authority (TNPA) is highly welcomed. We have, over the years, collectively built a business case for the development of the port as it is crucial for our logistics and our economy as the city, and this is why the announcement gives us great delight. Starting with the works at the Settlers Way Road, we will do other work to improve our logistics and make our city more attractive to investors.

We will work even harder to retain the businesses still in our City to protect our economic base. Our economy is as good as the companies that continue to be invested in it, and these companies give us a good name for other investors worldwide. These companies thus give us our credibility as an investment destination, and we will work to ensure that we treat them well so that they continue to do business with us.

One current and future action we are resolved to focus on is safety. We know that to be a credible City for investment, and even for tourism, we need to guarantee the safety of our residents first. Therefore, we will step up our law enforcement efforts, particularly the enforcement of our by-laws. We have reactivated the campaigns for a Metro Police Service and the establishment of municipal courts.

## 6. AGREEMENTS/ PARTNERSHIPS

It is a fact that the achievement of our vision requires us to have solid partnerships with labour, business and other stakeholders. Our MGDS Vision 2030 forces us to have these partnerships.

We have formal partnerships with the Border Kei Chamber of Commerce, particularly around waste management in the City through the Call-to-Action programme. This project has now entered the recycling space. In addition, we have regular engagements with all other business sectors in the City.

We work well with Transnet, Eskom, PRASA and many other state-owned entities that are crucial for development in the City, and we track all projects that these organisations implement in our City. We always seek to get ourselves involved in these. We work well with our District Development Model champions, Deputy Ministers Cassel Mathale and Boitumelo Mloi.

We continue to partner with many sister cities internationally, such as the Jinhua People's Government, Chongqing, Yubie from China and Gavle in Sweden.

## 7. CONCLUSION

*Fellow Residents and Stakeholders of Buffalo City,*

We are presenting this Annual Report as a confirmation that we are doing our best to implement the programme we collectively adopted as contained in the Metro Growth and Development Strategy, Vision 2030.

We are working hard to create this City into an active agent of development for all the people and stakeholders of Buffalo City Metro. We are moving properly in our work of building our City. And we will work to ensure that the social compact formed with businesses, labour, NGOs, and other social partners in our City is maintained and that we continue to work for the betterment of our Metro and its people.

The work we have packaged in this Annual Report proves that there is work in progress in the building and reconstructing of our City. We can do this because we have a multi-party, multi-racial and representative council constituted by women and men of good repute and esteemed moral standing coming from all concerns of our Metro. To top it all off, we have a very supportive community that always calls on us to work the best way we can, and for this, we are thankful.

Signed by:  \_\_\_\_\_

X. Pakati  
Executive Mayor  
Buffalo City Metropolitan Municipality





# **CHAPTER 1**

## **MAYOR'S FOREWORD AND EXECUTIVE SUMMARY**

### **Component B: Executive Summary**

## COMPONENT B: EXECUTIVE SUMMARY



## 1. CITY MANAGER'S OVERVIEW

The 2021/2022 financial year marks the beginning of a new five-year term. Over and above the service delivery backlogs that the City is battling with, the long-term effects of Covid 19 are still the reality that the City should recover from. To holistically respond to these socio-economic challenges, the City is in the process of reviewing all developmental plans. The introduction of the District Developmental Model approach seeks to speed up areas of collaboration of all functions that are the responsibilities of other spheres of government within the City space. These discussions are championed through the IGR platforms to realise the common objective, which is to serve the citizens. To mention a few, the provision of water that is drawn from water sources owned by the National Department of Water Affairs and Sanitation. The provision of electricity in Buffalo City Metropolitan Municipality is provided by both the City in urban spaces and Eskom in rural spaces. This is a result of our licensing rights from NERSA. The Provincial Department of Environmental Affairs is responsible for approving Estuary Management Plans. And there are provincial and national roads within BCMM space.

During the reported period, all governance structures operated optimally, including council section 79 and 80 committees. Audit Committee & Performance Committee and Risk Management Committee continued to give sterling support to management during this period. However, the effectiveness of the support provided by the governance committees can only be tested by a change from a qualified audit opinion to an unqualified audit opinion. It is encouraging to report that the outcome of our 2021/2022 audit has improved from a qualification to an unqualified audit opinion.

During the 2021/2022 financial year, the City was functioning with almost a fully-fledged structure at senior management levels, with only one vacancy (HOD Sports, Recreation & Community Development) and that post was advertised and will be filled before the end of the second quarter of 2022/2023 financial year. It is important also to mention that the City Manager's employment contract came to an end, and the position was declared vacant by the council and advertised in line with the local government regulations on the appointment of senior managers.

The City, like many other Cities and municipalities, experiences a high rate of unemployment. It is important to mention though that the City, through the EPWP programme, has offered temporary employment opportunities to thousands of BCMM citizens across all wards. The majority of EPWP work opportunities came under the Clean Green Deeds programme and Call 2 Action programmes. New plant and machinery have been procured to ensure that we continue to maintain our infrastructure and respond to the President's call of Clean Green Deeds programme.

During December 2021 and January 2022, the city was hit by heavy rains, which resulted in flooding and damage to the city's infrastructure. Our response was not adequate and that proved that as a city for a long time, we did not build a strong Disaster Management capacity and capabilities. It cannot be ruled out that these floods result from our zero/little response to climate change. In the future, the City is prioritising its Disaster Management Capacity to respond to climate change mitigation and adaptation strategies.

The City is rolling out a smart metering system for water and electricity consumption. These water and electricity metres will bring about accuracy and integrity in the billing information. The rolling out of smart meters is done in partnership with Vodacom. This project targets both business and residential places. The City is currently rolling out its smart city strategy project. The smart metering project will form an integral part of the smart city strategy project. The world of technology has evolved, and Buffalo City, too, must be included. Through the smart city strategy project, the city wants to be counted amongst cities using contemporary technologies to improve service delivery.

The City provides several services, including water and electricity. The provision of water is drawn from water sources owned by the National Department of Water Affairs and Sanitation, with some water sources managed by Amatola Water Board on behalf of the National Department of Water and Sanitation. The provision of electricity in Buffalo City Metropolitan Municipality is provided by the City in urban spaces and Eskom in rural spaces. The Provincial Department of Environmental Affairs is responsible for approving Estuary Management Plans. Buffalo City Metropolitan Municipality has a Municipal owned entity called Buffalo City Development Agency, which shares its audit and performance management committee with the Development Agency.

In ensuring that a risk management culture is strengthened, the city has adopted a combined assurance approach using a combined assurance framework recently approved by the audit committee. This combined assurance framework is put at the centre of collaborations and working together of various structures in ensuring that good governance and accountability is achieved as outlined in section 154 of the Constitution. The effective implementation of the combined assurance framework is overseen by both the audit committee and risk management committees. It is heartening to report that the risk maturity level is gradually improving, which was confirmed by National Treasury during their last assessment. There is progressive implementation of an enterprise-wide risk management framework after it was approved by the council, and this frame specifically addresses the structures, processes and standards implemented to manage risks on an institution-wide basis in a committed and consistent manner. Risk profiling was done and presented to the risk management committee for approval, and it is captured in the report.

The recent demarcation board processes on ward delimitation leading to 2021 local government elections had little impact on the city. It is important to mention that after the recent round of delimitation, Buffalo City was not affected; it retained its 50 wards.

All catalytic projects and programmes are contained in our Built Environment Performance Plan. The City's Built Environment Performance Plan continues to hold its platinum status as per National Treasury's ratings. All our catalytic projects and programmes are detailed through this Built Environment Performance Plan, including developmental nodes per region.

Below is a summary of our BEPP document, including catalytic projects, programmes and a high-level account of progress made during the 2021/2022 financial year.

## 2. THE BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) AND CATALYTIC LAND DEVELOPMENT PROGRAMMES (CLDPs)

The BCMM has successfully achieved the envisaged outcomes of the BEPP, which has previously been a requirement of the DORA regarding eligibility for infrastructure grants related to the built environment of metropolitan municipalities. This means that the BCMM has successfully institutionalised the processes that have led to aligning planning and budgeting concerning the implementation of spatially targeted catalytic programmes and projects. As a result, the Catalytic Land Development Programme (CLDP) outcomes align fully with the key strategic objectives of the MGDS. Further, the strategy and core content of 2021/22 BEPP has been embedded in the current Municipal IDP and the BCMM One-Plan. This has ensured a continued focus on strategic and transversal coordination of planning and budgeting aligned to the Catalytic Land Development Programmes of the City.

This also implies a transition and shift in the focus of the BEPP from that of a planning tool to one that focuses on the ongoing coordination, implementation and monitoring of the city's CLDPs. The following four CLDPs fall within the Coastal and Midland Regions of the city: the East London CBD and Inner City Redevelopment Programme, the MELD Corridor (Central) Programme, the Mdantsane Urban Hub Programme and the West Bank Logistics Hub Programme, Corridor comprising the Port – MBSA – ELIDZ and the King Phalo Airport. The fifth CLDP, the Qonce -Bhisho- Zwelitsha Corridor Programme, falls within the Inland Region of the City. Other key strategic economic programmes include investment within the Ntabozuko (Berlin) Node, the Dimbaza Node, and the Inland Region.

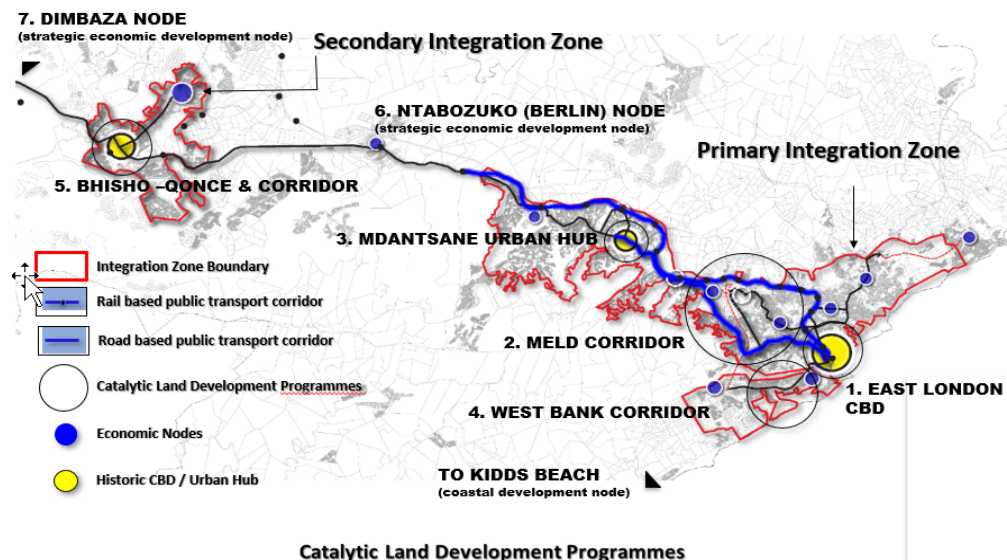


Figure 1. BCMM Catalytic Land Development Programmes

The CLDP processes include multi-year project preparation and budgeting to build a credible pipeline of integrated infrastructure programmes and projects that can ultimately impact spatial transformation and lead to a reduction in poverty and inequality, enabling faster and more inclusive urban economic growth and improved quality of life to citizens. In addition, the National Treasury provides ongoing support to the City in terms of forging linkages with key stakeholders such as Infrastructure South Africa (ISA), the Development Bank of South Africa (DBSA) and the Infrastructure Fund (IF), which will be assisting the City in taking forward projects and programmes that will be able to attract blended finance solutions via the Budget Facility for Infrastructure (BFI).

### 3. ELECTRICITY SERVICES

The mandate of the Electricity and Energy Department is to ensure the efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure in the BCMM-licensed area of supply by; ensuring that the interests and needs of present and future electricity customers and end users are safeguarded and met.

Further, it facilitates investment in the electricity supply industry, enables universal access to electricity, and promotes the use of diverse energy sources and energy efficiency.

- To meet this mandate, capital funding investment into the electrical network has continued with an investment of R116 million into upgrading, refurbishing, and replacing equipment which has reached its useful lifespan.
- The electricity department has embraced the smart city concept with the implementation of the SCADA (System Control and Data Acquisition) project. The SCADA Project provides control and monitoring of the electrical network, offering safer switching and network monitoring and more efficient operation during load-shedding events.
- The Operational and Maintenance function requires adequate funding to ensure that the network is well maintained and the network remains stable to provide efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure in the BCMM-licensed area of supply into the future.
- Funding of this function is a concern due to the increase in incidents of theft and vandalism as well as invasion of land, which leads to the growth of informal settlements, which then make illegal connections which lead to increased losses.

In the year under review, the Electricity Department achieved the following highlights:

- Electrification of 642 low-income dwellings.
- Investment of R116 million into the electrical network for the upgrade, refurbishment and renewal.

### 4. WATER AND SANITATION SERVICES

#### 4.1 WATER SERVICES

BCMM continued to deliver bulk services to accommodate village reticulation in the outer years. As a result, in the 2021/2022 financial year, approximately 1,923 households have been provided with water supply services for the first time within the minimum required standards. This equates to 0.8% of the total households, which leaves the water supply backlogs at 1%, translating to 250,530 households having access to a basic level of water supply services. The quality of water supplied to consumers is monitored frequently per the South African National Standards for Drinking Water (SANS 241) and World Health Organization (WHO) requirements. The City achieved 98% compliance in the year under review.

The Eastern Cape province has been experiencing a prolonged severe drought threatening water resources, which started to improve after the flash floods in January 2022. As a result of improvements in dam levels, the City had to reduce the level of water restrictions from stage 3 with punitive tariffs 1B to stage 2 water restrictions with punitive tariffs 1A as from the 01st of March 2022, which gave relief to consumers who were battling to comply with the restrictions. However, the prolonged drought has shown us that the City needs more than surface water to ensure the security of supply to the City and therefore initiated feasibility studies to explore water reuse and desalination, which are at advanced stages of completion.

The City still needs to be confronted with a high level of non-revenue water, attributed to the free basic water provided to rural areas/informal settlements, ageing infrastructure and billing issues. However, intervention measures are being implemented to renew our infrastructure to reduce water losses. The Department is currently reviewing the approved Water Conservation and Water Demand Management (WCWDM) strategy, which seeks to prioritise pressure management, bulk metering, leak detection, data logging, telemetry upgrades, meter audits, interventions beyond the water meter on indigent consumers etc. Non-revenue water is at 37.5% in the year under review. The 1.5% increase in non-revenue water can be attributed to the expansion of water supply to informal settlements and rural areas as well as other villages that were previously under Amathole District Municipality. Amatola Water has started to bill the City for the water consumption of those villages.



## 4.2 SANITATION SERVICES

The number of households with access to sanitation services has improved to 97% in the year under review from 96% in the previous year. However, the available treatment capacity of some of our wastewater treatment works is still a big challenge, as the municipality no longer approves development in some areas, such as Amalinda, Qonce, Bhisho, and Breidbach, due to overloading. The current upgrading of Zwelitsha Wastewater Treatment Works is intended to regionalise a few wastewater treatment work nbt6s in the Inland region and decommission those with less robust treatment technology. Similarly, the diversion of sewage from Central Wastewater Treatment Works in Amalinda to Reeston is geared towards opening development in the Amalinda area. These infrastructure upgrades will also improve the quality of effluent discharged from these treatment works to meet permitted discharge standards.

The municipality improved the provision of sanitation services in rural areas with backlogs. The City also built and handed over 1,540 Ventilated Pit Latrine (VIP) toilets in the year under review. This achievement increased the number of VIP toilets installed to 59,255 since 2005. Similarly, new ablution facilities have been installed in informal settlements, totalling 97 toilet seats with water points in the year under review.

## 5. ROADS AND STORMWATER SERVICES

The BCMM road network comprises  $\pm$  3,321 km of surfaced and gravel road networks. With an estimated replacement cost of R9,55 billion. The surfaced roads network, which includes asphalt, concrete and block paved roads, consists of  $\pm$  1,692 km of roads with an estimated replacement cost of  $\pm$  R7.1 billion and a gravel roads network of  $\pm$  1,629 km with an estimated replacement cost of R 2,45 billion. The Roads Branch had an annual capital budget allocation of R366.4 million for upgrading roads, rehabilitation and resurfacing of surfaced roads, and regravelling of rural roads. In addition, R97 million was allocated under the operational budget to maintain existing roads and road furniture.

During the year under review, the city carried out the regravelling/rehabilitation of 79,99km of rural roads, resurfacing 23.024km of existing surfaced roads, and upgraded 10.363 km of gravel roads to surfaced standards.

### 5.1 MAJOR ROAD PROJECTS CURRENTLY UNDERWAY

**Rehabilitation and upgrade of Settlers Way:** The project includes the rehabilitation and upgrade of Settlers Way, the addition of a third lane in both directions, the construction of pedestrian facilities (sidewalks and crossings) and intersection upgrades. Military road is also getting upgraded, including turning lanes and intersection upgrades. The total length of the rehabilitated road is 7.8km on Settlers Way and 2.2km on Military Road. The project is currently 70% complete, and the anticipated completion is in August 2023.

**Mdantsane Roads upgrade Phase 4B:** The project consists of upgrading existing gravel roads in Mdantsane to surfaced standards, along with kerbing and stormwater drainage. The project is still in its early stages with the contractor's establishment and the commencement of construction activities.

### 5.2 STORMWATER

Climate change has led to more intense weather fluctuations, with extreme droughts and extreme rainfall events not following conventional weather patterns. The city carries out the rehabilitation of existing stormwater infrastructure on an ongoing basis installing pipe systems, replacing manholes and kerb inlets, and localised upgrades. A major challenge being experienced is constant blockages in the stormwater system due to breakages and illegal dumping.

### 5.3 BRIDGES

Two (2) Bridges were rehabilitated/upgraded during the period under review. The Albatross Rd Bridge in Qonce was upgraded to be more flood resilient, which included demolishing the old structure, constructing a new reinforced concrete bridge, and realigning the road. The Bridge Street bridge is more than 100 years old. A heritage rehabilitation was undertaken to ensure the longevity of the structure, taking into consideration the preservation of the structure.

## 6. WASTE MANAGEMENT AND REFUSE REMOVAL

The Solid Waste Management Services Department provides waste management services to 223,568 households, including formal, informal and rural households in the City's Coastal, Midland and Inland regions. The Department has three Units: Waste Minimisation, Education and Planning, Operations and Landfills and Transfer Stations.

Solid Waste Management Services provides waste management services in the Inland, Midland and Coastal Regions. The Operations Unit in the three regions is responsible for Area Cleaning, which involves street sweeping, refuse removal, and clearance of illegally dumped waste. Refuse removal service is currently provided in 15 areas in the Coastal region, seven in the Midland region and twelve in the Inland region daily.

During the year under review, Solid Waste Management services have undertaken the following activities and projects:

- Mapping out illegal dump hotspots to prepare for the establishment of mini transfer stations at the ward level in the 2021/2022 financial year.
- Clustering of service areas for refuse removal in the residential areas to ensure optimal use of resources and also to prevent waste collection backlog. The clustering has commenced in the Midland Region, and Inland Regions are currently the Coastal region is drawing lessons to improve its service model.
- The Department continues to distribute refuse bags regularly to households and implement a weekly collection service to ensure maximum cleanliness throughout the City.
- The City has purchased a Solid waste fleet, plant, bulk containers and small vehicles in the 2021/2022 financial year for improved waste management services.
- The branding of Solid Waste vehicles to raise community awareness of waste management and minimisation strategies has earned positive results in communities.
- Service Delivery on Fridays coupled with Women Caucus Monday clean-up campaigns spearheaded by the Political Leadership with Officials in identified areas where aggressive interventions are conducted.
- The City values the support provided by its partners, such as the Border Kei Chamber of Business (BKCOB) and Buffalo City Metropolitan Development Agency (BCMDA), who have been working jointly with the City in ensuring the cleanliness of strategic areas such as the entrances and exits of the City as well as the tourist attraction areas.
- Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), in partnership with BCMM, undertook a Waste complementary project in the Inland Region, which resulted in the installation of 20 concrete street litter bins which were installed in King Williams Town (KWT) CBD and ten concrete street litter bins which were installed in Bhisho CBD.

## 7. FINANCIAL SUSTAINABILITY

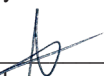
Rising unemployment rates and economic contraction has affected business and residents' ability to pay their municipal accounts. The growing debtor's book and underfunded mandates are some of the issues that cause a huge financial strain on municipal coffers. As a result, the City had to adjust its spending levels to counteract the decline in revenue collections. Improving the collection rate and decreasing debt impairment remains the City's priority.

The City's financial health has declined due to the issues mentioned above; however, the City has sufficient liquidity sources to mitigate against the current cash flow pressures. The Credit Rating confirms this for 2021/2022, which remained unchanged at A (Long term: A(za) and Short term: A1(za)), with the rating outlook being stable.

The City makes an effort to remain within the National Treasury norms. Kindly refer to section 1.4.3 for the financial performance ratios of the City.

The City is implementing cost-containment measures to achieve operational efficiency. These measures are being implemented to ensure the institution's future viability and to focus on reducing the negative impact on the residents within the City's boundaries. Therefore, information related to the revenue trend by source and expenditure by type, including borrowings undertaken by the municipality, is covered under section 1.4 and in section 5 (T5.1.0) of this report.

Thank you



L. Mbula  
Acting City Manager

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### 1.2.1 INTRODUCTION TO BACKGROUND DATA

#### ELECTRICITY

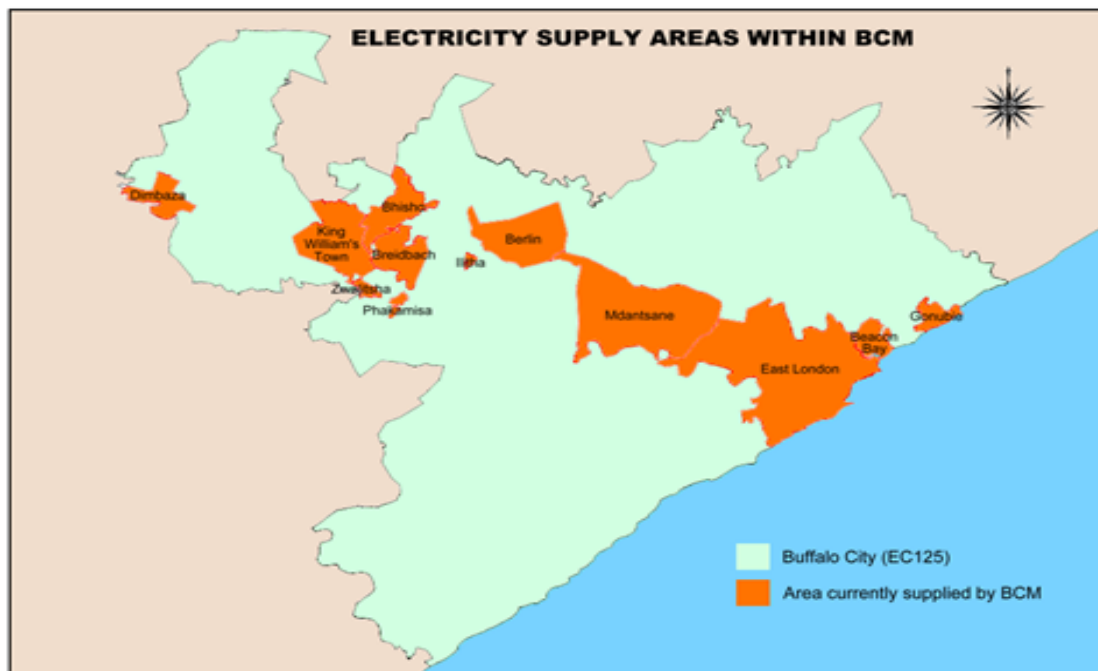
In terms of the NERSA (National Energy Regulator of South Africa) license issued to the BCMM Electricity and Energy department, the department can only provide electrical services to BCMM areas defined in the license. These areas are mainly within the so-called urban edge.

NERSA (National Energy Regulator of South Africa) license was issued to Eskom to provide electrical service outside the urban edge.

The two licensed supply areas have led to a few issues being dealt with at the National level. However, most municipalities have the same issues caused by the two licensed areas, as the two entities have different standards.

Eskom

- **STREET LIGHTING.** Street lighting is provided in the urban edge of the Eskom-licensed electricity supply area. BCMM cannot provide street lighting in these areas as they receive no income from Eskom's electricity sales. Eskom's tariff does not cater for street lighting, unlike the BCMM tariff, which is higher than Eskom's, allowing for the provision of streetlights.
- **SUPPLY:** Eskom provides the minimum size of connection to RDP consumers (20 amps), while BCMM provide a 40 amp supply to RDP consumer.
- **CREDIT CONTROL:** Eskom does not allow BCMM to carry out credit control using the Eskom-installed meters as BCMM does within the BCMM electrical network.



BCMM's Electricity Departments mandate is to provide a safe, reliable and effective service to all legal consumers within the licensed area; while BCMM endeavours to meet this mandate, some challenges are not within the control of the Department, which hampers service delivery:

The proliferation of informal dwellings due to the migration of people from rural areas in search of employment. This has led to illegal connections which overload the electrical network causing interruption of service to the communities that are legally entitled to it.

Vandalism and theft have substantially increased, with over 200 incidents that impact the electrical service. The funding set aside to carry out essential maintenance and capital works is used to repair and replace vandalized equipment and leads to deferred maintenance.

## WATER AND SANITATION

BCMM is a Water Services Authority (WSA) and a Water Services Provider (WSP), providing water, sanitation, and scientific services, with their primary duty being the provision of water and sanitation services to the City. The Amatola Water Board is an appointed WSP, providing bulk services to some areas of the City. The municipal Water Division achieved 98% compliance with prescribed national water quality standards in the year under review.

The Sanitation Division set a target of 75% compliance with effluent quality from its wastewater treatment works. This target was established to recognise required improvements to wastewater treatment due to ageing infrastructure, less robust treatment technology used in some treatment works and overloading in some systems. As a result, the overall average compliance of the 15 wastewater treatment works is 76% in the year under review, against the prescribed minimum target of 90% in the Green Drop Certification system.

Access to piped water has remained at 99% in the year under review. Similarly, access to adequate sanitation (Flush Toilets and VIPs) increased from 96% in the last financial year to 97% in the year under review. Seven water supply dams serve BCMM. Six are owned by the national Department of Water and Sanitation (DWS) and operated by Amatola Water Board, and one is owned and operated by the municipality. The Constitution entrusts the national Department of Water and Sanitation to manage national resources to meet the basic human needs of present and future generations, promote equitable access to water, and reduce and prevent water pollution, amongst other responsibilities. However, climate change and severe droughts impose major challenges to water supply security in the area, as dams in the municipal area struggle to fill up. However, there has been a significant improvement in the dam levels since the floods on the 8th of January 2022.

## HOUSING

The Directorate of Human Settlements provided 213 top structures and fully serviced 322 individual sites during the 2021/2022 financial year. This will assist in the long-term eradication of informal settlements by providing basic services to people residing in informal settlements.

Intensive planning, design and interaction with key stakeholders such as the National Department of Human Settlements, Provincial Department of Human Settlements and the Housing Development Agency through the signing of protocol agreements that set roles and responsibilities for each party. There are about 3,647 housing units that Housing Development Agency will deliver in the upcoming financial years in addition to projects under implementation by BCMM.

The possibility of attaining level two accreditation before the end of the 2022/2023 financial year will also improve efficiency in providing Human Settlements projects.

### Solid Waste Management

The Solid Waste Management Services Department provides waste management services to 223,568 households, including formal, informal and rural households in the City's Coastal, Midland and Inland regions. The Department has three units viz:

- Waste Minimisation, Education and Planning
- Operations
- Landfills and Transfer Stations.

## ROADS AND STORMWATER MANAGEMENT

The roads branch's core mandate is to provide a safe all-weather road network for all road users within the metropolitan area. A road network in good, efficient road network is the key to the growth and development of a city. Most investors look for access to local and international markets through seamless integration between road, rail, sea and air transportation. All major cities with high growth and economic development levels have excellent roads and logistics infrastructure.

The BCMM roads network consists of ± 3319 km of surfaced and gravel roads network. With an estimated replacement cost of R9,4 billion. The surfaced roads network, which includes Asphalt, Concrete and Block Paved Roads, consists of ± 1,682 km of roads with an estimated replacement cost of ± R7 billion and a Gravel roads network of ± 1,637 km with an estimated replacement cost of R2,4 billion.

The Roads Branch had an annual capital budget allocation of R486.7 million for the rehabilitation, upgrade, resurfacing and regravelling of road infrastructure in the City (Roads provision) for the 2021/2022 financial year. In addition, R98 million was allocated under the operational budget to maintain existing roads.

79% of the R486,699,169 capital budget was spent, with an under-expenditure on the Settlers Way and Mdantsane Roads projects, as the Settlers Way project was awarded later than anticipated, and the Mdantsane Roads Project is at procurement. 100% of the allocated R98 million operating budget. The Roads branch has two major projects currently being implemented: the Rehabilitation and upgrade of Settlers Way and Military Road and Mdantsane Roads Upgrade Phase 3.

Rehabilitation and upgrading approximately 7.8 km of Settlers Way from the airport intersection to the Pontoon Road robots. Rehabilitation of the existing road surface, construction of an additional lane of traffic in each direction, construction of a kerb and gutter, stormwater drainage, sidewalks, public transport facilities and reconfiguration of the existing intersections.

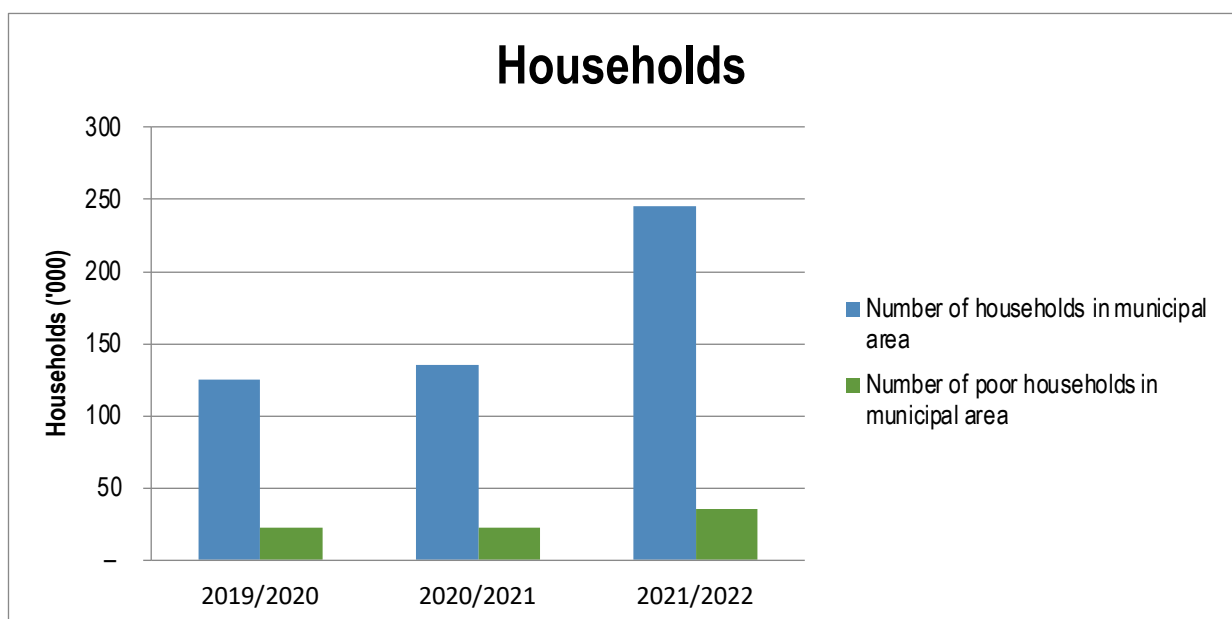
Military Road includes the rehabilitation and widening of approximately 2.2 km of road between Settlers Way and Bank Street, including turning lanes, kerbing, stormwater drainage, sidewalks, and intersection upgrades and 2.2 km of Military Road in East London, including the reconfiguration of intersections. Currently, the stormwater drainage improvements are nearing completion and earthworks for widening the road are underway between Cotton Road and Military Road.

The Mdantsane roads program has been prioritized due to the historical neglect of the area. In addition, Mdantsane is a suburb in the City and is an urban area that is supposed to have the same level of service as other similar urban areas. The upgrade of the existing gravel roads to surfaced standards was therefore prioritized to increase mobility and access to opportunities, improve the living standards in Mdantsane and make it a more attractive area to live in. T1.2.1.

POPULATION DETAILS (POPULATION '000)									
AGE	2019/2020			2020/2021			2021/2022		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Age: 0 - 4	31,212	30,344	61,556	30,638	29,806	60,444	28,542	27,817	56,359
Age: 5 - 9	36,591	35,495	72,086	36,114	35,050	71,164	32,693	31,619	64,312
Age: 10 - 19	67,403	102,325	169,728	68,961	67,108	136,069	71,333	69,416	140,749
Age: 20 - 29	54,578	51,580	106,158	54,729	52,192	106,921	50,361	47,844	98,205
Age: 30 - 39	67,820	63,589	131,409	67,550	64,777	132,327	65,125	62,002	127,127
Age: 40 - 49	52,965	56,212	109,177	54,033	56,854	110,887	55,632	30,740	86,372
Age: 50 - 59	35,092	49,123	84,215	35,758	48,173	83,931	37,385	47,972	85,357
Age: 60 - 69	24,316	38,327	62,643	24,333	37,430	61,763	24,607	38,556	63,163
Age: 70+	22,960	25,872	48,832	13,179	24,261	37,440	11,519	17,941	29,460

Source: Statistics SA

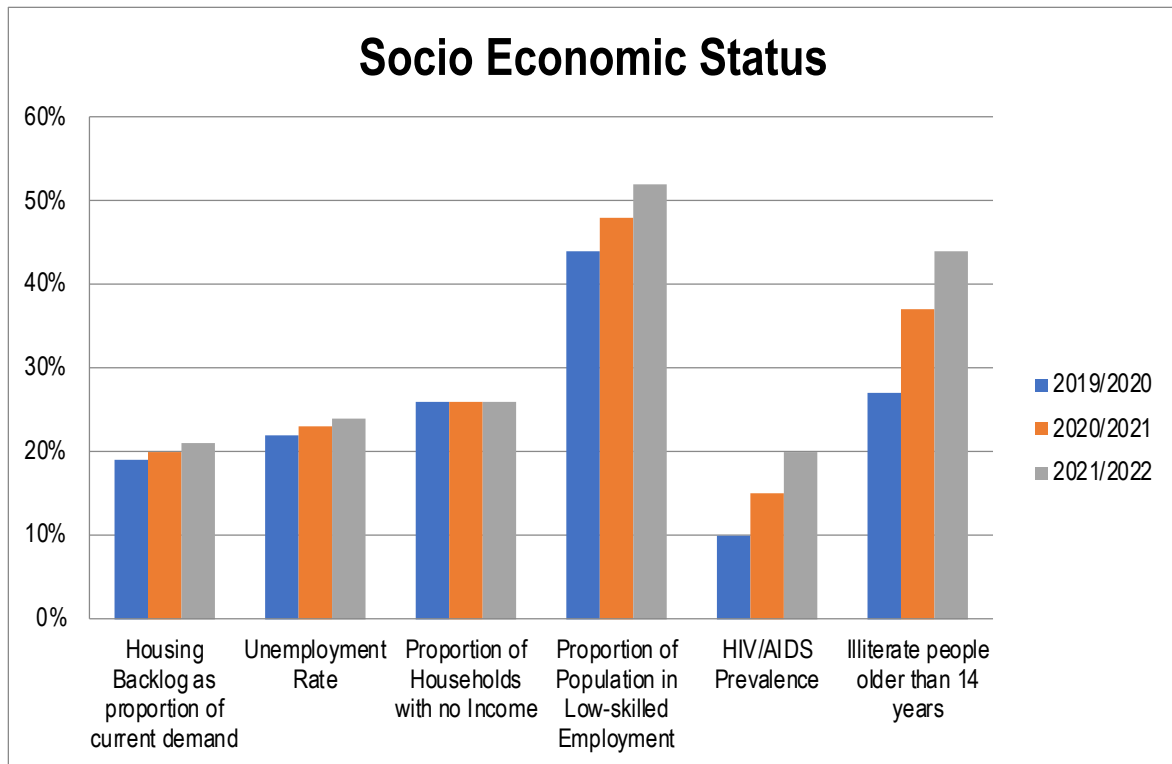
T 1.2.2



T.1.2.3

SOCIO ECONOMIC STATUS						
YEAR	HOUSING BACKLOG AS PROPORTION OF CURRENT DEMAND	UNEMPLOYMENT RATE	PROPORTION OF HOUSEHOLDS WITH NO INCOME	PROPORTION OF POPULATION IN LOW-SKILLED EMPLOYMENT	HIV/AIDS PREVALENCE	ILLITERATE PEOPLE OLDER THAN 14 YEARS
2019/2020	19%	22%	26%	44%	10%	27%
2020/2021	20%	23%	26%	48%	15%	37%
2021/2022	21%	24%	26%	52%	20%	44%

T 1.2.4



T1.2.5

OVERVIEW OF NEIGHBOURHOODS WITHIN BUFFALO CITY METROPOLITAN MUNICIPALITY		
SETTLEMENT TYPE	HOUSEHOLDS	POPULATION
Towns		
East London		320,000
Maclentown		63,000
King Williamstown		219,000
<b>Sub-Total</b>	<b>0</b>	<b>602,000</b>
Townships		
Mdantsane		256,000
<b>Sub-Total</b>	<b>0</b>	<b>256,000</b>
Rural settlements		
<b>Sub-Total</b>	<b>0</b>	<b>0</b>
Informal settlements		
Buffalo City Informal Settlement		62,980
<b>Sub-Total</b>	<b>0</b>	<b>62,980</b>
<b>TOTAL</b>	<b>0</b>	<b>858,000</b>

T.1.2.6



NATURAL RESOURCES	
MAJOR NATURAL RESOURCE	RELEVANCE TO COMMUNITY
Oceans Economy	Job creation and skills transfer
Sand mining	Sustainable jobs
Tourism	Livelihood to communities
Forestry	Manufacturing

T.1.2.7

### COMMENT ON BACKGROUND DATA

Demographic data is critical for planning any economic growth, developmental plans and services by the City. Population trends and population growth, directly and indirectly, impact the demand for services rendered by the government. In addition, demographics affect other socioeconomic indicators. With 884,000 people, the City housed 1.5% of South Africa's total population in 2018. Between 2008 and 2018, the population growth averaged 1.11% per annum, which is close to half the growth rate of South Africa as a whole (1.61%). Compared to Eastern Cape's average annual growth rate (0.94%), the growth rate in Buffalo City's population at 1.11% was very similar to that of the province.

Compared to other regions, the Buffalo City Metropolitan Municipality accounts for a total population of 884,000, or 12.2% of the population in the Eastern Cape Province, with the O.R. Tambo being the most populous region in the Eastern Cape Province for 2018. Buffalo City increased in importance from ranking sixth in 2008 to third in 2018. In terms of its share, the City was slightly larger in 2018 (12.2%) compared to 2008 (12.0%). When looking at the average annual growth rate, it is noted that Buffalo City ranked third (relative to its peers in terms of growth) with an average yearly growth rate of 1.1% between 2008 and 2018.

The Macleantown, Sandisiwe Sub-metro Region increased the most, in terms of population, with an average annual growth rate of 2.5%, and the East London Sub-metro Region had the second highest growth in terms of its population, with an average yearly growth rate of 1.8%. Conversely, King William's Town and Bhisho sub-metro regions had the lowest average annual growth rate of 0.37% relative to the others within the Buffalo City Metropolitan Municipality.

The population projection of Buffalo City Metropolitan Municipality shows an estimated average annual growth rate of 1.0% between 2018 and 2023. The average annual growth rate in the population over the forecasted period for Eastern Cape Province and South Africa is 0.9% and 1.4%, respectively. The Eastern Cape Province is estimated to have an average growth rate of 0.9%, which is lower than the Buffalo City Metropolitan Municipality. South Africa is estimated to have an average annual growth rate of 1.4%, which is higher than Buffalo City's growth rate.

The poverty gap is used as an indicator to measure the depth of poverty. The gap measures the average distance of the population from the poverty line and is expressed as a percentage of the upper-bound poverty line, as defined by StatsSA. The Poverty Gap deals with a major shortcoming of the poverty rate, which does not indicate the depth of poverty. StatsSA defines the upper poverty line as the level of consumption at which individuals can purchase sufficient food and non-food items without sacrificing one for the other. It is estimated that the poverty gap rate in the City amounted to 31.1% in 2018 - the rate needed to bring all poor households up to the poverty line and out of poverty. In 2018, the poverty gap rate was 31.1%, and in 2008 the poverty gap rate was 33.5%. Therefore, the poverty gap decreased from 2008 to 2018, which means there were improvements in the depth of poverty within the City. Regarding the poverty gap rate for each region within the City, Macleantown, Sandisiwe Sub-metro Region had the highest rate, with a rand value of 31.2%. Conversely, the lowest poverty gap rate can be observed in the East London Sub-metro Region, with a total of 31.1%.

The economic state of the City is put in perspective by comparing it on a spatial level with its neighbouring metropolitan municipalities, Eastern Cape Province and South Africa. The section will also allude to the economic composition and contribution of the regions within the City. BCMM does not function in isolation from Eastern Cape, South Africa and the world. More than ever, it is crucial to have reliable information on its economy for effective planning. Information is needed to empower the municipality to plan and implement policies that will encourage the social development and economic growth of the people and industries in the municipal area.

BCMM contributed 20.95% to the Eastern Cape province's GDP of R377 billion in 2018, increasing the share of the Eastern Cape from 19.61% in 2008. The City contributes 1.62% to the GDP of South Africa, which had a total GDP of R4.87 trillion in 2018 (as measured in nominal or current prices). Its contribution to the national economy remained similar from 2008, when it contributed 1.44% to South Africa.

In 2018, the City achieved an annual growth rate of 2.47%, which is a significantly higher GDP growth than the Eastern Cape Province's 0.78% and is higher than that of South Africa, where the 2018 GDP growth rate was 0.79%. Contrary to the short-term growth rate of 2018, the longer-term average growth rate for Buffalo City (1.69%) is very similar to that of South Africa (1.50%). The economic growth in Buffalo City peaked in 2011 at 4.11%.

In terms of the unemployment rate in Buffalo City, in 2018, a total of 123,000 people were unemployed, which is an increase of 45,300 from 77,800 in 2008. The total number of unemployed people within Buffalo City constitutes 15.66% of the total number of unemployed people in the Eastern Cape province. The City experienced an average annual increase of 4.70% in the number of unemployed people, which is worse than that of the Eastern Cape province, which had an average yearly increase in unemployment of 4.66%.

When comparing unemployment rates among regions within the City, King William's Town, Bhisho Sub-metro Region has indicated the highest unemployment rate of 32.1%, which has increased from 25.6% in 2008. On the other hand, it can be seen that the Macleantown, Sandisiwe Sub-metro Region had the lowest unemployment rate of 31.3% in 2018, which increased from 24.7% in 2008. T1.2.8

Source: IHS Markit Regional eXplorer version 1803, BCMM IDP 2020/2021

### 1.3 SERVICE DELIVERY OVERVIEW

#### ELECTRICITY

The Electricity Department's mandate is to provide electricity to all BCMM legal electricity consumers in an efficient, reliable, and safe manner. The license issue to BCMM requires the electricity department to comply with NRS 047 Quality of Service and NRS 048 Quality of Supply.

The Electricity Department provides the required service through its three sections:

**Development, Contracts and Asset Management:** This section manages the design, installation, renewal and upgrading of the electrical assets to ensure that the electrical service implements best practices and equipment to provide an optimal electrical service.

**Operation and Maintenance:** This section is responsible for the electrical network's operations and maintenance by operating in line with HV and maintaining the electrical grid in terms of schedules. A 24-hour standby service is provided to consumers.

**Customer Care and Revenue Protection:** This section is responsible for safeguarding BCMM's electrical revenue by removing illegal connections, identifying illegal connectors for prosecution and investigating the theft of BCMM electrical equipment. This section also provides advice and information to consumers on the provision of electricity services.

The City connected 643 households and installed nine high mast lights during the 2021/2022 financial year. However, the City experienced challenges of illegal connections, cable theft and vandalism of electricity infrastructure.

#### WATER AND SANITATION

The municipality currently supplies six kilolitres of free basic water per month to all registered indigent consumers within the formal settlements in urban areas and unregistered rural and informal settlements. Approximately 250,530 households have access to a basic water supply. In addition, about 245,042 households have access to basic sanitation services in either flush toilets in urban areas or Ventilated Pit Latrines (VIPs) in rural areas. The remaining consumers have a water supply below a basic level of service through a water cart delivering water to the strategically positioned polymer tanks or into hand-held drums.

Budgetary constraints and the ageing infrastructure have imposed a major challenge to improving access to basic water services and operations and maintenance of the existing infrastructure. Furthermore, water network integration in some areas, especially in rural systems, makes it difficult to optimize available water resources and ensure service continuity even in infrastructure breakdown. In addition, increasing sewage overflow incidents due to the deposition of foreign objects into the system, theft, vandalism, illegal electricity connections, and inadequate sewer capacity in some catchments threaten the environment. This leads to prolonged sewage spillages into the environment and, thus, increased health hazards to our communities.



## ROADS AND STORMWATER MANAGEMENT

BCMM Roads and Stormwater branch falls under the directorate of Infrastructure Services and is responsible for the construction, maintenance and control of all proclaimed roads within its jurisdiction. However, it must be noted that roads within the municipal boundaries fall under the control of other authorities, such as National Roads, Provincial Roads and Private Roads. The Roads and Stormwater branch is also responsible for rehabilitating, maintaining, and upgrading bridges and stormwater infrastructure within the municipal boundary. Existing stormwater pipes, channels, bridges, and drainage structures. The existing stormwater infrastructure consists of ±70 bridge structures, ±21,000 manholes, kerb inlets, headwalls and other inlet and outlet structures. In addition to this, there are ±600 km of stormwater pipes and culverts.

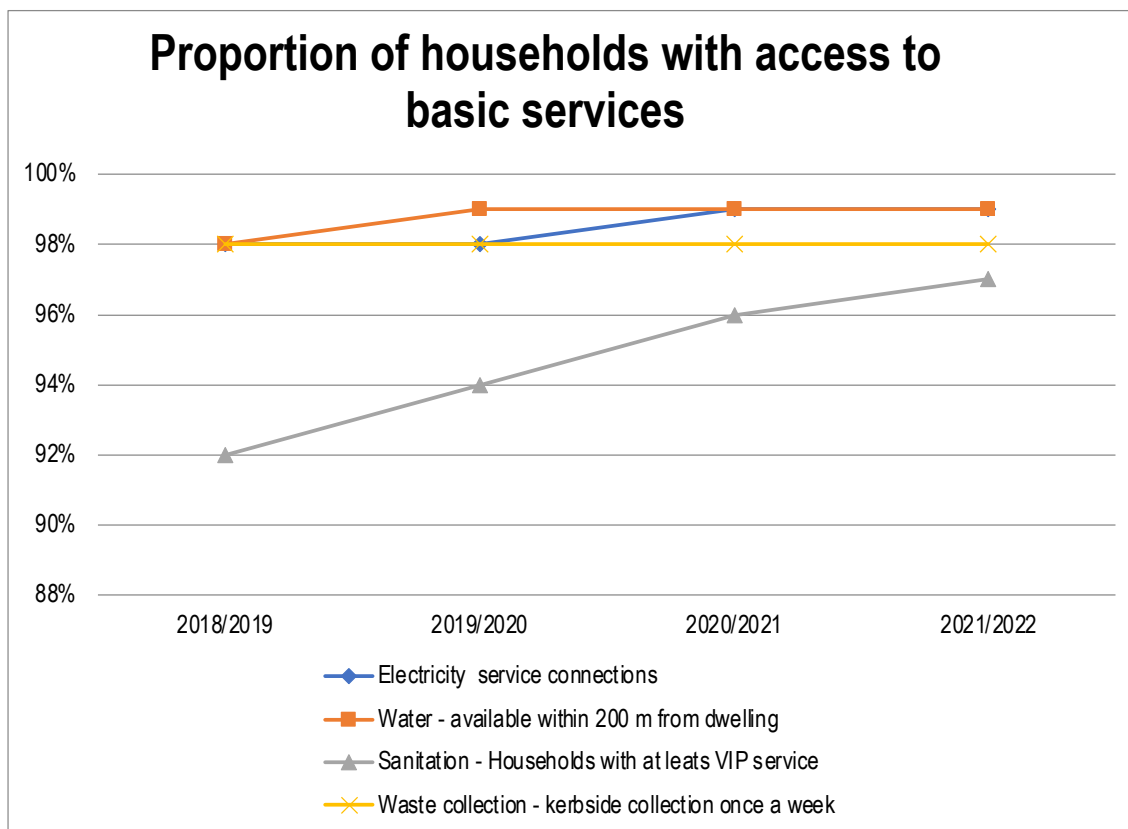
During the year under review, the City carried out the regravelling/rehabilitation of 79,99km of rural roads, resurfacing 23.024km of existing surfaced roads, and upgraded 10.363 km of gravel roads to surfaced standards. Also, the Albatross Road Bridge in Qonce and the Bridge Street bridge have been upgraded.

## SOLID WASTE MANAGEMENT SERVICES

Solid Waste Management Services provides waste management services in the Inland, Midland and Coastal Regions. The Operations Unit in the three regions is responsible for area cleaning, which involves, among others, street sweeping, refuse removal as well as clearance of illegally dumped waste. Refuse removal services are currently provided for in fifteen areas in the Coastal region, seven areas in the Midland region and twelve areas in the Inland region daily.

The Waste Minimization, Education and Planning Unit is responsible for developing programs and initiatives that favour waste minimization and diversion of waste from landfill disposal. Awareness-raising activities are conducted daily in communities to prevent littering and illegal waste dumping. Projects to enhance waste recycling viz: Waste separation at source, establishment and management of a Buy-Back Centre, and a review of Integrated Waste Management Plan is also undertaken by the same unit.

Lastly, the Landfills and Transfer Stations Management Unit is responsible for the operations and management of the Landfills and Transfer Stations. This involves facilitating the daily operations and management of these waste management facilities to comply with the legal requirements of the legislation governing waste management. BCMM has two permitted landfill sites viz: Roundhill and King Williams Town Landfill sites and four Transfer Stations (Kidds Beach, Kayser's Beach, Beacon Bay and Gonubie).



T1.3.2

## COMMENT ON ACCESS TO BASIC SERVICES

BCMM Electricity and Energy Department implement electrification projects within the BCMM license area in line with the DoE's universal access policy. This access has been expanded to include informal areas that meet the basic electrification criteria.

All low-income dwellings are provided with a basic electrical service of a, once registered with the finance department, 40 amps supply and access to the network.

In ensuring that all households connected to the BCMM Electrical network have access to electricity and can benefit from the service provided, indigent consumers receive a monthly allocation of 50 free units.

A further benefit provided to indigent consumers connected to the electricity grid is the waiver of the subsidized service connection fee, and the connection is provided at no cost to the indigent consumer.

In terms of the electricity backlog, this is affected by three elements:

- When discussing back logs clarity needs to be made on what a backlog is in electrification. Backlog in terms of universal access refers to the electrification of new formal RDP dwellings, this backlog for BCMM sits around 98%, with only recently built dwellings being unelectrified. These dwellings are usually electrified within one or two years of the completed housing project. The backlog sits at around 2000c dwellings.
- As the BCMM council decided in 2012 to electrify informal dwellings, informal dwellings became a backlog, and the number of dwellings in the informal settlement was estimated to be 45,000. But, of course, this number has increased due to land invasion and the growth of the existing informal settlement. The electricity and energy department has electrified 8,000 households in informal settlements.
- A new methodology of re-blocking is being considered to speed up the electrification of informal settlements. This re-blocking methodology will consider several issues, such as landownership, available space, and clearing of accessways so that electrification and other services can be installed safely and maintained.

## WATER SUPPLY SERVICES

The municipality achieved 99% access to basic water supply services in the year under review. However, approximately 1% of households still need to be served, mostly in rural areas. These villages are getting water supplied through a water cart delivering water to the strategically positioned polymer tanks or into hand-held drums. This arrangement is a temporary measure and is not in line with the minimum standards. However, efforts are being made to extend access to adequate water supply services to these villages in short to mid-term. A combination of bulk water infrastructure and reticulation is required to provide adequate water services to approximately 2,947 households.

## SANITATION SERVICES

The municipality achieved 97% access to basic sanitation services in the year under review. However, approximately 3% of households still need to be served, mostly in informal settlements in urban and rural areas. While the municipality is trying to provide ablution facilities in informal settlements at a targeted rate of 1 flush toilet seat for every ten households, there are still areas where sanitation services could be better. The provision of sanitation services in informal settlements is also a moving target due to several new informal settlements in various areas across the municipality. Vandalism of existing ablution facilities provided to some informal settlements is also a huge challenge. Approximately 3,745 households in rural areas currently have no sanitation services. The municipality provides new VIPs to rural areas at a rate between 1,500 and 3,000 yearly, depending on the available budget. The sanitation backlog in rural areas is expected to be eradicated in the next 3-5 years. However, there is still a growing challenge of the required emptying of existing VIPs provided in the last 10-20 years.

## WASTE COLLECTION

The City currently provides waste collection services to urban and sub-urban areas, including formal and informal settlements. However, there is an increase in the demand for these services due to migration to the City, mushrooming of informal settlements, the establishment of villages and land evasion, putting pressure on existing resources for service provision.

The following constraints hamper the Waste Collection operations:

- Long distance travelled by trucks between waste collection points to a disposal site (~50 km).
- Frequent breakdowns of trucks have a knock-on effect that leads to delayed service provision and backlogs.
- Absence of bulk waste transport infrastructure
- Waste pickers in landfill sites (permit non-compliance)
- The growing rate of illegal dumping of waste and littering of waste

T1.3.2

## 1.4 FINANCIAL HEALTH OVERVIEW

In these tough economic times, strong revenue and expenditure management is fundamental to the financial sustainability of the municipality, which is critical in terms of achieving the City's service delivery and economic objectives. However, the reality is that the City is faced with development backlogs that emanate from historical background. Furthermore, economic circumstances, such as increasing unemployment and poverty rates, impact households' ability to pay their accounts. Section 1.4.3 on financial ratios gives a broader perspective of the City's financial health.

Cost containment measures aligned with MFMA Circular 82 and the City's cost containment policy are being implemented to achieve operational efficiency and avoid deficits.

In the year under review, the City realised a deficit of R0.233 billion compared to a surplus of R0.585 billion in the 2020/2021 financial year. This reflects an unfavourable variance of R0.221 billion compared to the budgeted deficit of R0.454 billion.

The total revenue realised was below the expected budget by a variance of R0.118 billion. The unfavourable revenue variance was a net result of variances from different revenue sources. Refer to Chapter 5 for further details.

The City's total operating expenditure was lower than the anticipated budget and therefore experienced an unfavourable variance of R0.339 billion. Refer to Chapter 5 for further details.

The statement of financial position for 2021/2022 reflects a favourable position as the Metro has excess assets over liabilities resulting in a net worth of R25.879 billion.

The Metro's Cash and Cash Equivalent at year-end amounted to R0.697 billion, a decline from the R1.145 billion held at the end of the 2020/2021 financial year. However, the City can still meet its immediate obligations. T 1.4.1

FINANCIAL OVERVIEW: 2021/2022 R' 000			
DETAILS	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL
Income:			
Grants	2,035,094	2,151,666	1,835,831
Taxes, Levies and tariffs	5,813,155	5,817,824	6,046,907
Other	1,119,561	1,117,023	1,085,651
Sub Total	8,967,810	9,086,513	8,968,389
Less: Expenditure	8,231,745	9,540,447	9,201,071
Net Total*	736,066	(453,934)	(232,682)
* Note: surplus/(deficit)			

T 1.4.2

OPERATING RATIOS	
DETAIL	%
Liquidity Ratio	1,6 : 1
Cost Coverage	1
Total Outstanding Service Debtors	41,1%
Debt Coverage	102,1
Efficiency	100%
Capital Charges to Operating Expenditure	0,8%
Employee Costs as a percentage of Operating Expenditure	28,5%
Repairs and Maintenance as a percentage of Total Revenue (excl. Capital Transfers and Contributions)	1,6%

T 1.4.3

### COMMENT ON OPERATING RATIOS

**Liquidity Ratio:** The rate of 1.6:1 is regarded as being within the National Treasury norm that ranges between 1.5 - 2:1. The ratio measures the Municipality's ability to meet its Current Liabilities. A lower ratio indicates a situation of weakened liquidity position. The City can still pay Current Liabilities with available Current Assets but is investigating Revenue Enhancement Strategies to strengthen the Current Asset position.

**Cost Coverage:** This ratio explains how many months' expenditure can be covered by the cash and other liquid assets available to the Municipality, excluding utilising grants. This rate is one month and is within the National Treasury norm of 1 - 3 months.

**Total Outstanding Service Debtors:** The rate of outstanding service debtors is currently 41.1%. Outstanding debtors continue to be a focus for the City, which is continuously implementing methods to decrease this rate to a manageable level. The City continues to explore efforts to reduce outstanding services debtors and improve its Collection Ratio above the budget of 90.5%.

**Debt Coverage:** It reflects the number of times debt payments can be made within operating revenue (excluding grants). This, in turn, represents the ease with which the City can make debt payments. This rate continues to improve; it is 102,1% as of 30 June 2022. This indicates that the Metro's long-term debt is decreasing due to the City not taking up additional loan funding during the 2021/2022 financial year. As a result, the City can borrow additional financing to invest in infrastructure projects. However, due to weak economic performance and a weak collection rate, the process for additional loans is undertaken with caution.

**Efficiency:** The City maintains its policy to pay its creditors within 30 days. The constant 100% payment levels to creditors highlight this achievement.

**Capital Charges to Operating Expenditure:** The rate is 0.8% in the 2021/2022 financial year. The City can borrow additional financing to invest in infrastructure projects. However, due to weak economic performance and a weak collection rate, the process for additional loans is undertaken with caution.

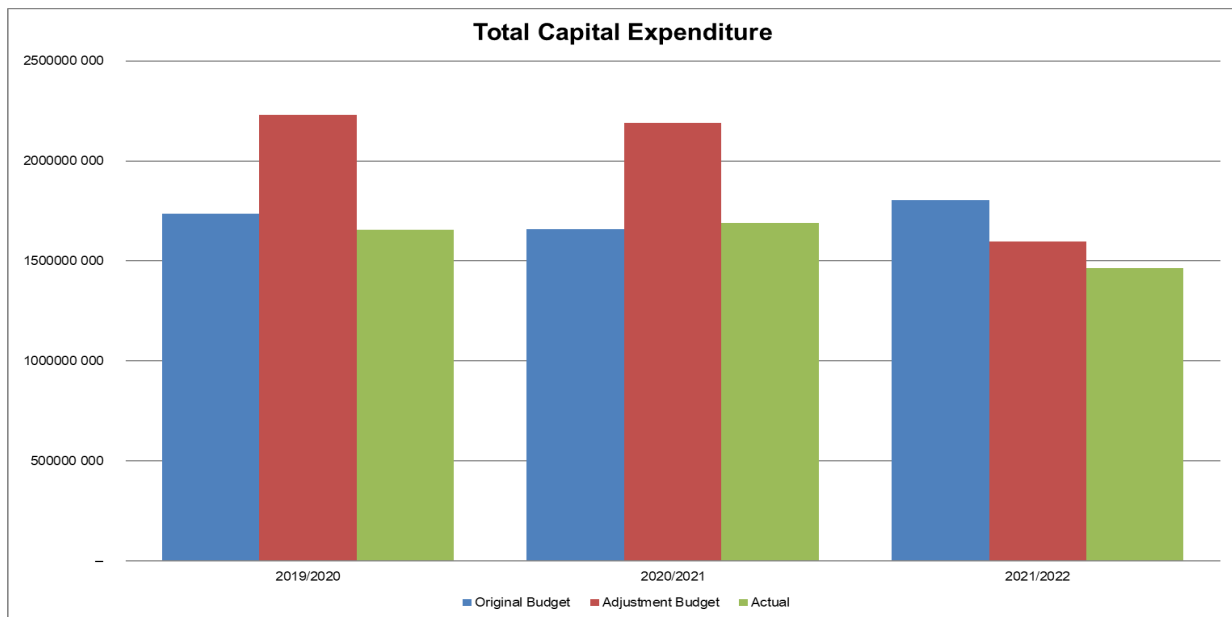
**Employee Costs as a percentage of Operating Expenditure:** The rate of 28.5% is within the norm of 25% - 40%.

**Repairs and maintenance as a percentage of Total Revenue (excl. Capital Transfers and Contributions):** This represents the proportion of total Repairs and Maintenance compared with Property, Plant and Equipment and Investment Property at carrying value. The rate remains below the norm of 8% for the City at 1.6%. The City is augmenting its assets maintenance programme by using part of its funding towards capital investment on the renewal of existing assets.

T 1.4.3

TOTAL CAPITAL EXPENDITURE: 2019/2020 - 2021/2022 R'000			
DETAIL	2019/2020	2020/2021	2021/2022
Original Budget	1,737,413	1,659,989	1,803,592
Adjustment Budget	2,228,896	2,189,745	1,598,261
Actual	1,654,229	1,690,102	1,465,623

T 1.4.4



#### T 1.4.5

### COMMENT ON CAPITAL EXPENDITURE

The City's capital expenditure for the year under review amounted to R1,466 billion (2020/2021: R1,690 billion), which represents 92% inclusive of VAT of its capital budget spent (2020/2021: 77%).

The capital expenditure incurred in the 2021/2022 financial year was funded through grants, subsidies, and own funding. Buffalo City Metropolitan Municipality spent 96% of its total capital grants budget. The largest funding source was the Urban Settlement Development Grant which focused on developing new urban areas for habitation. This grant was utilised to create new infrastructure in the previously disadvantaged areas and to replace existing infrastructure in those areas where infrastructure is nearing or has exceeded its useful life. This is required to ensure the City's continued economic growth and to allow for business confidence.

The City spent 88% of its total own-funded capital budget. The major contributing factors to low expenditure are Supply Chain Management processes 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. T 1.4.5.1

## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

In Chapter 7, Section 51 of the Municipal Systems Act 32 of 2000, a Municipality must establish and organise its administration in a manner that would be responsive to the needs of the local community. Section 67(1) compels the municipality to develop and adopt appropriate systems and procedures to ensure a fair, efficient, effective and transparent personnel administration.

The Directorate must establish and maintain a skilled, healthy labour force guided by relevant policies and system procedures. Organisational Development is key to service delivery. The City acknowledges that to meet its service delivery demands, it needs to evolve and be responsive to changing labour market and individual needs, yet be flexible enough to address skills imbalances and shortages. This requires a properly planned and holistic human resources management and development approach.

The Metro Growth and Development Strategy (Vision 2030) states that imperatives implemented through the IDP for 2021/22 include programmes that require rigorous planning and quality organisational performance reporting. In addition, translating the broad objectives of the BCMM's development plans and strategies into real results depends on a capable workforce. T 1.5.1



## 1.6 AUDITOR-GENERAL'S REPORT

Buffalo City Metropolitan Municipality received an unqualified audit opinion during the 2021/2022 financial year. The Auditor-General's report is outlined and attached in Chapter 6 of this Annual Report. T1.6.1

## 1.7 STATUTORY ANNUAL REPORT PROCESS

STATUTORY ANNUAL REPORT PROCESS		
NO.	ACTIVITY	TIME FRAMES
1.	Inception meeting with all relevant stakeholders to outline the process	July 2022
2.	Outlining the Annual Report process to Top Management	
4.	Compiling Performance information taken from all Directorates	
5.	Tabling of Annual Performance Report 2021/2022 to the Top Management	
6.	Submit the Annual Performance Report to Audit Committee	
7.	Submission of Section 46 Report and draft Annual Financial Statements to AG	August 2022
8.	1 <sup>st</sup> draft Annual Report tabling to Top Management	October 2022
9.	2 <sup>nd</sup> draft Annual Report tabling to Top Management	
10.	Submission of Draft Annual Report to Internal Audit	November 2022
11.	Submission of Draft Annual Report including Annual Financial Statements to Auditor General for auditing	
12.	Facilitate and respond to the Auditor General on the queries raised on the Annual Report	
13.	Presenting the final Annual Report to Top management	December 2022
14.	Submission of Final Draft to City Manager and Sign off Final Draft by Executive Mayor and City Manager	
15.	Tabling of Annual Report to Council	January 2023
16.	Submission of tabled Annual Report to Auditor-General, Provincial Treasury and Local Government and Human Settlement	February 2023
17.	Submission of Annual Report to the Municipal Public Accounts Committee for oversight and Speaker's Office for public participation	
18.	Oversight of the Annual Report by Municipal Public Accounts Committee	
19.	Invitation of public comments on Annual Report, Consideration of public comments and formulation of oversight report	March 2023
20.	Consideration and adoption of Annual Report and Oversight Report by Council	
21.	Submission of Annual Report and Oversight Report to Auditor General, Provincial Treasury and Provincial Department of Local Government and Human Settlement	
22.	Submission of final Annual Report and Oversight Report to Eastern Cape Provincial Legislature	April 2023
24.	Publication of final Annual Report (website and other media)	

STRUCTURE AND COMPONENTS OF 2021/2022 ANNUAL REPORT	
CHAPTER	COMPONENTS OF THE INTEGRATED ANNUAL REPORT
<b>One</b>	<b>Introduction</b> Provides an introduction and overview of the municipality and its entities to the reader. This chapter provides the key decision-makers – both on political and administrative level – with the opportunity to provide an overview of the functions, geographical area and performance of the municipality and its entities.
<b>Two</b>	<b>Governance in BCMM</b> This chapter entails the Political Governance Arrangements (Council and its Oversight Committees), Executive Political Governance (Mayoral Committee) Administrative Governance (Executive Management Team, Intergovernmental Relations and Corporate Governance. To ensure accountability and governance arrangements are in place information on matters of governance should be communicated to communities. This covers four components, i.e: Governance Structures; Intergovernmental Relations; Public Accountability and Participation and Corporate Governance.

STRUCTURE AND COMPONENTS OF 2021/2022 ANNUAL REPORT	
CHAPTER	COMPONENTS OF THE INTEGRATED ANNUAL REPORT
<b>Three</b>	<b>Overview of Service Delivery BCMM.</b> Service Delivery Performance focuses on service delivery on a service-by-service basis. It considers municipal performance derived from IDP objectives, translated into the SDBIP and presents data on community needs and resource deployment. The service delivery issues must be structured, captured and reflected under each priority as contained in the IDP to allow for easy comparisons on achievements against budget and SDBIP. The purpose of the chapter is to demonstrate to the reader, in terms of service delivery, what is being achieved and what remains outstanding.
<b>Four</b>	<b>Organisational Development Performance.</b> This chapter addresses information pertaining to the implementation of an effective performance management system, organisational development and performance of the municipality. Such information is required to identify skills gaps and plans for the development of such skills.
<b>Five</b>	<b>Financial Performance.</b> Overview of the financial performance of the municipality / municipal entity through measuring of results. It further provides an opportunity for planning, so as to ensure that future budgetary allocations are brought in line with IDP and functional area activities and outputs.
<b>Six</b>	<b>Auditor General Audit Findings.</b> This chapter provides an overview of the Auditor-General's Report of the previous financial year. Specifically, it includes: Details on issues raised during the previous financial year; and remedial action taken to address the above and preventative measures.

### T1.7.1

#### COMMENT ON THE ANNUAL REPORT PROCESS

Section 127(2) of the MFMA requires that the mayor of the municipality must, within seven months of the end of the financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control. To comply with the statutory requirements dictated by all relevant legislation that guides the development of the Annual Report, it is critical to meet the timelines set and ensure that all the information provided in the report is credible, useful and reliable. BCMM has met and is within the timelines it has set. BCMM has also undertaken reasonable actions to ensure that the information presented in this report is factual and can be supported by evidence. However, any identification of errors must not be seen as a deviation from this intent.

BCMM always strives to ensure proper alignment between its plans as contained in the IDP, Service Delivery and Budget Implementation Plan (SDBIP), other plans and how reporting is handled to ensure proper accountability and transparency. In addition, the prescribed Annual Report process enhances the oversight functions of the Council. By nature, Annual Reports are aligned with the planning documents and municipal budget for the year reported on. This means that the IDP, Budget, SDBIP, In-Year Reports, Annual Performance Reports and Annual Reports should have similar and consistent information to facilitate understanding and to enable the linkage between plans and actual performance. Another benefit of following the prescribed timeframes is that the Annual Report information becomes the feeder to the IDP Situational Analysis.

In BCMM, organisational performance management is linked to individual performance management through Section 56 managers and general and senior managers' performance agreements. This assists in aligning the entire institutional performance management system. T1.7.1.1

# CHAPTER 2

# GOVERNANCE



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

## INTRODUCTION TO GOVERNANCE

The Constitution, Section 152(2), gives effect to a municipality's governance, which commands that a municipality's executive and legislative authority is vested in the Council. This gets operationalised through Section 79 Committees that support Council in going about its business, whilst the Mayoral Committee get supported through the Section 80 Committees that are chaired by the Portfolio Heads as elected by BCMM Council.

The Executive Mayor and the Accounting Officer are the links between political and administrative governance. They are mandated to ensure that a proper relationship between political and administrative governance is fulfilled for the needed stability of the municipality. To that end, the Executive Mayor and the Accounting Officer are responsible for policy formulation and implementation. Therefore, they hold the fort in between the Council meeting and are accountable to Council as well.

Also, the establishment of an Intergovernmental Relations unit within the municipality coordinates and facilitates the implementation of the Intergovernmental Relations Framework Act, 2005 (Act No.13 of 2005) with its objective which is "to facilitate coordination by the three spheres of Government, i.e., National, Provincial and Local Governments, in the implementation of policy and legislation. In addition, it promotes cooperative decision-making, ensures the execution of policies through the effective flow of communication, coordinates priorities and budgets across different sectors and the prevention of disputes and conflicts between spheres of Government. BCMM implements various mechanisms for public participation to ensure that the citizenry is kept up-to-date and capacitated to participate in municipal processes and programmes optimally. Public Participation creates a platform for an interface between the City and the community.

### *T 2.0.1*



# **CHAPTER 2**

# **GOVERNANCE**

## **Component A:**

## **Political and Administrative Governance**



## **COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE**

### **INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE**

The political and administrative governance emanates from various pieces of legislative frameworks, i.e., the Constitution of the Republic of South Africa, 1996; the Local Government Structures Act 117 of 1998; the Local Government Systems Act 32 of 2000; Municipal Finance Management Act 56 of 2003 and other applicable pieces of legislation.

The Executive Mayor and the Accounting Officer embody the relationship between political and administrative governance. They are, therefore, both delegated the responsibilities to ensure that a proper relationship between political and administrative governance always prevails for the needed stability of the municipality. To that end, the Executive Mayor and the Municipal are responsible for both policy formulation and implementation. Therefore, they hold the fort in between the Council meeting and are accountable to Council as well.

*T 2.1.0*

### **POLITICAL GOVERNANCE**

#### **INTRODUCTION TO POLITICAL GOVERNANCE**

In line with the Legislative requirements, Buffalo City Metropolitan Municipality is instructively mandated to have functional structures which must discharge the assigned roles and responsibilities as outlined in the Municipal Structures Act.

*T2.1.1*

**POLIITICAL STRUCTURE**



**EXECUTIVE MAYOR:  
COUNCILLOR X. PAKATHI**



**DEPUTY EXECUTIVE MAYOR:  
COUNCILLOR P. FAKU**



**SPEAKER:  
COUNCILLOR H. MAXEGWANA**



**CHIEF WHIP:  
COUNCILLOR S. NTSASELA**

**MAYORAL COMMITTEE**



**Councillor S.W. Caga**  
Finance Services



**Councillor N. Maxongo**  
Spatial Planning and Development



**Councillor G.M. Lottering**  
Sport Recreation and Community  
Development



**Councillor M.N. Marata**  
Economic Development and Agencies



**Councillor H.E. Neale-May**  
Corporate Services



**Councillor S.T. Matwele**  
Public Safety and Emergency  
Services



**Councillor A.O. Mnyute**  
Solid Waste and Environmental  
Management



**Councillor M.M. Mfazwe**  
Infrastructure Services



**Councillor N.M. Mhlola**  
Human Settlements

## COUNCILLORS

BCMM has 100 Councillors and 03 Traditional Leaders. Half (50%) of the Councillors constitute Proportional Representation, and the other half (50%) of the Councillors constitute Ward Councillors who are designed to work full-time as public representatives. The sum-total of them constitute 100% of the Municipal Council Meeting and the quorum is constituted by a simple majority (51 Councillors present in the meeting). T 2.1.2

## POLITICAL DECISION MAKING

The Council takes final decisions after receiving reports from the Mayoral Committee. The Mayoral Committee receives reports from Portfolio Committees. Portfolio Committees receive reports from Executive Management Meetings. Section 79 and 80 committees, established in terms of Local Government: Municipal Structures Act No. 117 of 1998, are outlined below.

## SECTION 79 COMMITTEES

### Ethics Committee

The BCMM Ethics Committee is established in terms of Section 79 of the Local Government: Municipal Structures Act No. 117 Of 1998. The Committee as mandated by the Council undertake various functions such as assisting the Council to investigate the conduct of Councillors who are breaching schedule 1 of the Municipal Systems Act No. 32 of 2000, to investigate the irregularities that are being committed by Councillors who are serving in the BCMM Council, to receive cases that have been referred to the Committee by Council for investigation etc.

*The Ethics Committee is comprised of the following members:*

- **Cllr P. Jaxa (Chairperson) (ANC)**
- Cllr N. Ntshebe (ANC)
- Cllr C. Mxabanisi-Garishe (ANC)
- Cllr B. Kalani (ANC)
- Cllr N. Mndi (ANC)
- Cllr K.T. Faku (ANC)
- Cllr T. Fritz (DA)
- Cllr G. Walton (DA)
- Cllr M. Mashiya (ATM)
- Cllr S. Libala (EFF)

*The terms of reference of the BCMM Ethics Committee as per Council resolution:*

- a. To identify values which should be the expected characteristics and distinguishing qualities attributed to a member of the Council.
- b. Identify values to address current issues within the Council whenever such surface from time to time.
- c. Consider the top ethical values that are posed by the community and expected of Councillors.
- d. Monitoring the compliance with and enforcement of the Code of Ethics once it has been established and adopted by the Council.
- e. Under the guidance of the Speaker, helping in monitoring compliance with the Councillors Code of Conduct.



## Rules Committee

BCMM Rules Committee is established in line with the provisions of Section 79 of the Municipal Structures Act No.117 of 1998. The committee is responsible for the development and review of the Council's Standing Rules and Orders, the development of rules and procedures for all Section 79 Committees, the determination and/or formulation of policy and procedures regarding the appointment of Councillors as members of any committee including substitute/replacement as well as alternates.

*The Rules Committee is comprised of the following members:*

- **Cllr C.H.M. Maxegwana (Chairperson) (ANC)**
- Cllr P. Bernado (ACDP)
- Cllr K. Ciliza (ANC)
- Cllr B. Kalani (ANC)
- Cllr A. Majeke (DA)
- Cllr N. Mcwabeni (ANC)
- Cllr N. Mndi (ANC)
- Cllr S. Nkungwini (EFF)
- Cllr B. Sauli (ANC)
- Cllr G. Walton (DA)

*The terms of reference of the BCMM Rules Committee as per Council resolution:*

- a. To determine the standing rules of orders of procedure for the Council to adopt a new constitutionally corrected by-law.
- b. To review the existing by-law on rules and order of procedure from time to time to keep abreast of amended legislation and to identify areas not covered therein.
- c. To assist in ensuring that there is procedural compliance within Council by the members and thereby assist the Speaker in performing her role and functions as required in terms of the by-law.
- d. To scrutinize national and provincial by-laws and draft legislations that have an interest for the municipality and thereby provide a mechanism to influence the legislative process by inter-alia making presentations on such by-laws to the relevant authorities.

## Social Facilitation Committee

BCMM Social Facilitation Committee is established in line with the provisions of Section 79 of the Municipal Structures Act No.117 of 1998. The Committee seeks to ensure that Council complies with the Remuneration of Public Office Bearers Act No. 20 of 1998 regulates the Determination of upper limits of salaries, allowances and benefits of different members of municipal councils, that the Council complies with the Government Gazette on Upper limits of salaries, allowances and benefits of different members of municipal councils as issued from year to year, to ensure that when a Draft Gazette is issued by the Minister of Cooperative Governance and Traditional Affairs Department, the Council must mandate the Speaker to submit comments to Department of Cooperative Governance and Traditional Affairs and SALGA on behalf of the Municipality.

*The Social Facilitation Committee is comprised of the following members:*

- **Cllr A. Ralasi (Chairperson) (ANC)**
- Cllr B. Bangani (ANC)
- Cllr C. Mxabanisi-Gakrishe (ANC)
- Cllr K. Majeke (ANC)
- Cllr P. Jaxa (ANC)
- Cllr P. Hansen (ANC)
- Cllr N. Luhadi (EFF)
- Cllr M. Mashiya (ATM)
- Cllr L. Stewart (DA)
- Cllr D. Vallabh (DA)

*The terms of reference of the BCMM Social Facilitation Committee as per Council resolution:*

- a. To look into the packages of the Councillors.
- b. To report on the structuring of the packages of the Councillors.
- c. To deal with the tax issues related to Councillor allowances and structural arrangements of remuneration.
- d. To call for the documents it may require in performing its mandate from Councillors and officials and to interview such persons from the ranks of officials, Councillors and such other external persons as shall be necessary for the execution of the Council's mandate.
- e. To consider the relevant legislation including Gazette No 33867 and SALGA Circular 56 of 2010 in consultation with the senior legal adviser of the BCMM.

## **Petitions Committee**

BCMM Petitions Committee is established in line with the provisions of section 17(2)(a) of the Municipal Systems Act, Act 32 of 2000 stipulates that a municipality must establish appropriate mechanisms, processes and procedures to enable the local community to participate in its affairs, and to this end make provision for the receipt, processing and consideration of petitions and complaints lodged by members of the local community. The committee seeks to promote a democratic, open, transparent and participatory system of local government, develop a culture of community participation through the creation of mechanisms that allow the voice of the community to be heard, to be responsive to communities by providing feedback to petitioners in respect of petitions received.

*Terms of Reference for the Petitions Committee:*

- a. To receive and record any petition submitted in terms of this petition management policy
- b. To record the oral submission or evidence of a petitioner
- c. To, if a petition has been referred to in terms of section 10(1) of the policy, direct the person to whom the petition has been referred, to consider that petition, make a decision or recommendation in respect of that petition or otherwise dispose of the request or complaint raised in that petition.
- d. To require the person or body to whom the petition has been referred, to furnish the committee within three (03) days of that referral in writing with a detailed report on the steps taken by such persons or body to address the complaint, request, recommendation or instruction by the committee, as the case may be, and the reasons for those steps.
- e. Report to Council on the petitions submitted to the committee. The committee also reports on all its activities in respect thereof including the responsiveness, efficiency and timorousness with which petitions were dealt with. Moreover, it ensures the efficacy and adherence to the petitions process and procedures.
- f. Instruct the petitions coordinator to inform the petitioner timeously from time to time, of progress in respect of consideration of a petition and of any decision taken by the committee in respect of a petition and the reasons for that decision.
- g. If the petitioner or anyone has been invited by the committee to come and make an oral submission or call a witness, such a petitioner or person(s) must be informed of the date, time and venue when the petition is to be considered and the petitioner may attend that sitting of the committee. BCMM and its entity, and in doing so, the committee must consider improvements from previous statements and reports, and must evaluate the extent to which the Audit Committee's and the Auditor General's recommendations have been implemented;
- h. To promote good governance, transparency and accountability in the use of municipal resources.
- i. To recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the BCMM or the Audit Committee.
- j. To perform any other functions assigned to it through a resolution of the Council within its area of responsibility.



*The Petitions Committee is comprised of the following members:*

- **Cllr M.L. Nyusile (Chairperson) (ANC)**
- Cllr K. Ciliza (ANC)
- Cllr M. Daniso (ANC)
- Cllr J. Green (DA)
- Cllr Y. Masiki (EFF)
- Cllr Z. Mtyingizane (ANC)
- Cllr V. Siboyana (ANC)
- Cllr D. Theron (FFP)
- Cllr M. Wetsetse (ANC)
- Cllr K. Zonke (DA)

### **Women's Caucus Committee**

BCMM has a Women's Caucus consisting of all Women Councillors from political parties represented in the Council. The Caucus has a Committee established in terms of Section 79 of the Municipal Structures Act No. 117 of 1998. The Committee seeks to act as an advisory and consultative body for all women Councillors representing their interests within BCMM structures, to engage Council and its structures on empowerment issues affecting women in administration, politics and the community, to facilitate leadership and development for women in Council and its structures to ensure their effective participation.

*The Women's Caucus Committee is comprised of the following members:*

- **Cllr C. Yekiso-Morong (Chairperson) (ANC)**
- Cllr K.T. Faku (ANC)
- Cllr N.M. Goci (ANC)
- Cllr L. Hali (DA)
- Cllr A. Majeke ((DA)
- Cllr C. Mxabanisi-Gakrishe (ANC)
- Cllr V. Siboyana (ANC)
- Cllr D. Theron (FFP)
- Cllr N.E. Tshabe (EFF)
- Cllr N. Whittington (ANC)
- 

*In line with other Council committees the terms of reference for the BCMM's Women's Caucus are:*

- a. To lobby BCMM to develop, promote and implement gender policies.
- b. To monitor and evaluate the impact of these policies.
- c. To ensure that the IDP is gender sensitive and to promote women's participation in the IDP and Budget processes of the BCMM.
- d. To advise and lobby for specific interventions by direct municipal investment in specific areas to enhance economic growth.
- e. To create public awareness about government policies and programs aimed at the advancement of women's and children's rights and the rights of the aged.
- f. To monitor the development and execution of appropriate policies and mechanisms so that the BCMM reaches its employment equity targets at all levels of decision-making.
- g. To advocate commission research on the impact of gender policies on women and children at a grassroots level.
- h. To develop programs to support married women, single mothers and the girl child.

## Municipal Public Accounts Committee

Municipal Public Accounts Committee is a committee of the Council established in terms of Section 79 of the Municipal Structures Act to exercise oversight over the Executive and administrative arm of the municipality. Simply defined, in the municipal sphere, oversight, refers to the role of the Municipal Council in monitoring and reviewing the actions and performance (financial and non-financial) of the Mayoral Executive in delivering services to the people.

*The Municipal Public Accounts Committee is comprised of the following members:*

- **Cllr Y. Tyali (Chairperson) (ANC)**
- Cllr A. Gunyazile (ANC)
- Cllr M. Hlekiso (EFF)
- Cllr P. Jaxa (ANC)
- Cllr A. Majeke (DA)
- Cllr M.J. Mashiya (ATM)
- Cllr Z. Mtyingizane (ANC)
- Cllr B. Sauli (ANC)
- Cllr L. Mzekeli (ANC)
- Cllr G.K. Walton (DA)

*The terms of reference of the BCMM Municipal Public Accounts Committee are summarised as follows:*

- a. To consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report.
- b. To consider current in-year reports including the quarterly, midyear and annual reports to assist with the conclusion of matters that may not be finalized, and information relating to past recommendations made on the annual report.
- c. To examine the financial statements and audit reports of the BCMM and its entity, and in doing so, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor General's recommendations have been implemented.
- d. To promote good governance, transparency and accountability in the use of municipal resources.
- e. To recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the BCMM or the Audit Committee.
- f. To perform any other functions assigned to it through a resolution of the Council within its area of responsibility.

## Municipal Boundary Re-determination Processes Committee

*The Municipal Boundary Re-determination Processes Committee is comprised of the following members:*

- **Cllr N. Kumbaca (Chairperson) (ANC)**
- Cllr S. Gida (EFF)
- Cllr K.T. Faku (ANC)
- Cllr L. Mzekeli (ANC)
- Cllr A. Skoti (UDM)
- Cllr T. Tempi (ANC)
- Cllr M.D. Thomas (ANC)
- Cllr G. Walton (DA)
- Cllr B. Wood (DA)

## SECTION 80 COMMITTEES

### Mayoral Committee Members

- **The Executive Mayor, Councillor X.A. Pakati** (Chairperson)
- The Deputy Executive Mayor, Councillor P. Faku (Strategic Development)
- Councillor S.W. Caga (Finance)
- Councillor G.M. Lottering (Sports, Recreation and Community Development)
- Councillor M.N. Marata (Economic Development and Agencies)
- Councillor S.T. Matwele (Public Safety and Emergency Services)
- Councillor N. Maxongo (Spatial Planning and Development)
- Councillor M.M. Mfazwe (Infrastructure Services)
- Councillor N.M. Mhlola (Human Settlement)
- Councillor A.O. Mnyute (Solid Waste and Environmental Management)
- Councillor H.E. Neale-May (Corporate Services)

### Strategic Development

- **The Deputy Executive Mayor, Councillor P. Faku** (Chairperson)
- Councillor L. Gqola
- Councillor P. Hansen
- Councillor V.D. Knoetze
- Councillor M.J. Mashiya
- Councillor J.S. McDowell
- Councillor O. Mhlauli
- Councillor V.A. Mrwebi
- Councillor S. Rumbu
- Councillor M. Tutu

### Corporate Services Portfolio Committee

- **Councillor H.E. Neale-May** (Chairperson)
- Councillor R.E. Angelbeck
- Councillor A.P. Bernardo
- Councillor S.P. Gida
- Councillor A. Gunyazile
- Councillor O. Mangxola
- Councillor M. Mfene
- Councillor O. Mhlauli
- Councillor A. Nkala
- Councillor S.G. Skepe
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

## Economic Development and Agencies

- **Councillor M.N. Marata** (Chairperson)
- Councillor K. Ciliza
- Councillor K.T. Faku
- Councillor A. Gcwabe
- Councillor M. Kosani
- Councillor N.L.N. Kumbaca
- Councillor M.J. Mashiya
- Councillor S.P. Rumbu
- Councillor D. Vallabh
- M. Wetsitse
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

## Finance

- **Councillor S.W. Caga** (Chairperson)
- Councillor K. Ciliza
- Councillor M. Faku
- Councillor S. Gulwa
- Councillor K. Majeke
- Councillor C. Mxabanisi-Gakrishe
- Councillor V. Siboyana
- Councillor V. Tutu
- Councillor G.K. Walton
- Councillor B.F. Wood
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

## Human Settlement

- **Councillor N.M. Mhlola** (Chairperson)
- Councillor P. Bamla
- Councillor J.D. Green
- Councillor N.L. Kese-Ndotyi
- Councillor N. Mcwabeni
- Councillor S. Nkungwini
- Councillor S. Phandliwe
- Councillor A.J. Skoti
- Councillor T. Tempu
- Councillor K. Zonke
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

### Infrastructure Services

- **Councillor M.M. Mfazwe** (Chairperson)
- Councillor S.E. Bentley
- Councillor M. Daniso
- Councillor T.F. Fritz
- Councillor A. Gcobo
- Councillor P. Hansen
- Councillor N. Qali
- Councillor V. Siboyana
- Councillor T. Tempa
- Councillor N.E. Tshabe
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

### Public Safety and Emergency Services

- **Councillor S.T. Matwele** (Chairperson)
- Councillor B. Bangani
- Councillor C.N. Batala
- Councillor N.W. Kilimani
- Councillor J.S. McDowell
- Councillor N. Mcwabeni
- Councillor N. Sabana
- Councillor A.J. Skoti
- Councillor N. Whittington
- Councillor F.S. Wolose
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

### Spatial Planning and Development

- **Councillor N. Maxongo** (Chairperson)
- Councillor L. Hali
- Councillor V.A. Holmes
- Councillor B. Kalani
- Councillor N. Luhadi
- Councillor D.A. Mahanjana
- Councillor N. Mndi
- Councillor S. Phandliwe
- Councillor N.C. Stemela
- Councillor D.A. Theron
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

### Sport Recreation and Community Development

- **Councillor G.M. Lottering** (Chairperson)
- Councillor A.P. Bernardo
- Councillor S. Boo
- Councillor Z.A. Dywili
- Councillor S.M. Hoffman
- Councillor M. Mchoko
- Councillor K.H. Mpupha
- Councillor A.S. Nokoyo
- Councillor A.A. Phetani
- Councillor L.A. Stewart
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

### Solid Waste and Environmental Management

- **Councillor A.O. Mnyute** (Chairperson)
- Councillor A.M.C. Botha
- Councillor Z.A. Dywili
- Councillor Z. Noyakhe
- Councillor N. Ntshebe
- Councillor A.A. Phetani
- Councillor F.C. Pohl
- Councillor D.M. Thomas
- Councillor V. Tutu
- Councillor N. Whittington
  
- The Executive Mayor, Councillor X.A. Pakati (Ex Officio)
- The Speaker, Councillor C.H.M. Maxegwana (Ex Officio)

#### T 2.1.3

### ADMINISTRATIVE GOVERNANCE

The top management of the Municipality comprises the City Manager and ten Heads of Directorates. The recruitment process is still underway for the City Manager and Head of the Directorate: Sport, Recreation and Community Development.

The Heads of Directorates (HOD) perform strategic leadership and management functions in their respective fields and any other responsibilities as contained in the Local Government Legislation as follows:

- Corporate Services
- Infrastructure Services
- Solid Waste, Health and Environmental Management
- Sport, Recreation & Community Development
- Public Safety and Emergency Services
- Human Settlements
- Economic Development and Agencies
- Financial Services
- Spatial Planning and Development
- Executive Support Services

#### T 2.2.1



TOP ADMINISTRATIVE STRUCTURE



**Mr L Mbula**  
**Acting City Manager**



**Mr N Sigcau**  
**Chief Financial Officer**



**Ms N Sidukwana**  
**HoD: Executive Support Services**



**Mr B Naidoo**  
**HoD Corporate Services**



**Ms N Ncokazi**  
**HoD: Economic Development and Agencies**



**Ms Mbali-Majeng**  
**HoD: Spatial Planning and**  
**Development**



**Mr N Ncunzana**  
**HoD: Infrastructure Services**



**Ms Y Sinyanya**  
**HoD: Solid Waste and**  
**Environmental Management**



**Mr V Lwana**  
**HoD: Health, Public Safety and**  
**Emergency Services**



**Mr L Mbula**  
**HoD: Human Settlements**



**Mr H Sikweza**  
**HoD: Sport, Recreation and**  
**Community Development**

T2.2.2



# **CHAPTER 2**

## **GOVERNANCE**

### **Component B: Intergovernmental Relations**

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

The purpose of a system of intergovernmental relations for BCMM is to promote cooperative decision-making; ensure the execution of policies through the effective flow of communication; coordinate priorities and budgets across different sectors and the prevention of disputes and conflicts between spheres of government.

In May 2014 the Buffalo City Metropolitan Municipality Intergovernmental Relations (IGR) Forum was launched. The IGR Forum was launched in terms of the Intergovernmental Relations Framework Act, 2005 (Act No.13 of 2005) which is in Chapter 3 of the South African Constitution, 1996 which sets out the basic principles and values of cooperative government and intergovernmental relations. Section 41 of the Constitution requires an Act of Parliament to:

- Establish and provide for structures and institutions to promote and facilitate intergovernmental relations; and
- Provide appropriate mechanisms and procedures to facilitate the settlement of intergovernmental relations disputes.

Subsequently, the Intergovernmental Relations Framework Act, 2005 (Act No.13 of 2005) was enacted. The objective of the Act is, “to facilitate coordination by the three spheres of Government i.e., National, Provincial and Local Governments in the implementation of policy and legislation. The IGR Framework Act (IGRFA) sets out the general principles and objects of intergovernmental relations - the focus is primarily on the outcomes that the system must achieve:

- Coherent government
- Effective provision of services
- Monitoring implementation of policy and legislation; and
- Realization of national priorities.

The South African system of intergovernmental relations is complex and continues to evolve as better modes of cooperation and coordination emerge and as functions are shifted between the spheres.

The following key elements and principles underpin the intergovernmental relations system:

- Accountability
- Transparency and Governance
- Mutual Support
- Redistribution
- Vertical Division
- Revenue Sharing
- Broadened Access to Services
- Responsibility over budgets

The intergovernmental system depends on the well-coordinated policy, planning, budgeting, implementation and reporting. This is necessary both within spheres and between spheres and is enabled through technical, executive and legislative consultative forums. T 2.3.0

## 2.3 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

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- b. Provide appropriate mechanisms and procedures to facilitate the settlement of intergovernmental relations disputes.

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- Coherent government
- Effective provision of services -
- Monitoring implementation of policy and legislation; and
- Realization of national priorities.

BCMM's IGR Forum Meetings are functional and function through the following IGR Structures:

- Political IGR Structure. (BCMM Political IGR Forum holds 2 x meetings per financial year)
- Technical IGR Structure (BCMM Technical IGR Forum holds 4 IGR meetings per financial year).
- IGR Core group meets every quarter or as and when required
- IGR Political Roundtable (BCMM holds 2 x meetings a year)
- Technical Roundtable ( BCMM Holds 2 x meetings a year)

**BCMM IGR Political Forum:** Facilitates IGR within the Local Municipality amongst (provincial and national government departments within BCMM) and State Owned Enterprises within BCMM. It is a Political Structure chaired by the Deputy Executive Mayor with representation from the Mayoral Committee, City Manager, HODs, Representation from Sector Departments, Parastatals, and State-owned Enterprises.

**BCMM Technical IGR Forum:** This is a technical support structure to the BCMM IGR Political Forum comprising the City Manager, HODs, municipal officials, parastatals, state-owned enterprises and agencies (all three spheres). The role of a technical support structure is to provide technical support to the political structure and to prepare for decision-making in the political structure.

**IGR Political Roundtable:** The IGR Political Roundtable addresses outstanding and urgent matters needing political intervention between the Metro and other spheres. It also receives feedback and progress on the resolution of issues from the Technical and Political IGR Forum meetings. This structure sits twice a year. The structure is chaired by the Deputy Executive Mayor and has representation from the Mayoral Committee and officials from the IDP, IGR, Public Participation and relevant BCMM Directorates, OTP, COGTA, SALGA, Treasury and Relevant Stakeholders from Sector Departments, Parastatals and Agencies.

**IGR Core Group:** This structure is made up of BCMM, COGTA, OTP, SALGA and Treasury. This structure looks at issues of governance that affect IGR. This structure meets four times a year and when required.

**The IGR Structures:**

- Improve integrated planning with other spheres and agencies of government;
- Engage Sector departments on issues and projects that are cross-cutting with BCMM;
- Jointly resolve challenges faced within wards which are not part of BCMM functions.

**INTRODUCTION OF THE DISTRICT DEVELOPMENT MODEL AND ONE PLAN**

In 2019, The President, during his State of the Nation Address, delegated the 6th Administration to develop and implement a new integrated district-based approach to address service delivery challenges. Taking this mandate forward, the Minister for Cooperative Government and Traditional Affairs, during her Budget speech, announced that the Department would develop and implement a new district development model to address service delivery challenges of the 44 districts and 8 metropolitan municipalities.

The District Development Model was introduced in the year under review. It seeks to address the silos and the lack of coherence in planning and implementation in all spheres of government. The challenges intended to be solved through the District Development Model includes:

- i. Silos at a horizontal and vertical level.
- ii. Narrowing the distance between the people and government by strengthening the coordination role and capacities at the District/Metro.
- iii. Delivering Integrated Services whilst strengthening Monitoring and Evaluation and impact at district and local levels.
- iv. Ensuring inclusive and gender-mainstreamed budgets based on the needs and aspirations of our people.
- v. Maximising impact and aligning resources at our disposal.
- vi. Changing the face of our rural and urban landscapes by ensuring alignment between urban and rural development.
- vii. Ensuring sustainable development accelerates to eradicate poverty, create employment and improve people's quality of life.

Through the IGR Structures of the Technical and Political IGR forums, BCMM facilitated the implementation of the District Development Model and enabled the One Plan development for BCMM as well as contributed to the review of the BCMM Integrated Plan.

The DDM is anchored on the development of ONE PLAN for each district and metro space. The ONE PLAN is an intergovernmental plan setting out a 25–30-year long-term strategic framework (consisting of short, medium and long-term actions) to guide investment and delivery in each of the district and metropolitan spaces. The ONE PLAN must be jointly developed and agreed to by all three spheres of government with joint projects and budgets.



## COVID 19 LOCAL COMMAND COUNCIL

As part of the response to the Covid-29 pandemic, the government has created an oversight structure to oversee the implementation of all government responses in the fight against the pandemic. This structure is called Covid National Command Council, which is chaired by the President. The other spheres of government have also replicated this structure with political heads as the chairpersons.

It is a sector or cluster focus committee to ensure that the Metro can deal with all issues that emanate during the Covid 19 lockdown period and beyond. The Command Council ensures that there is the active participation of all stakeholders in all joint metro and provincial disaster management structures, towards ensuring a coordinated response to Covid 19 and it monitors the progress and impact of interventions in the municipality and submits weekly consolidated reports to the provincial and national disaster management structures.

These structures are supported by the Technical Structures consisting of multi-disciplinary officials from the municipality and provincial departments. In the year under review BCMM held the following IGR meetings:

- Technical IGR Session - 25 August 2020
- IGR Core Group Meeting - 14 October 2020
- Three Sphere Technical IGR Session - 25 February 2021
- Political IGR Forum - 09 April 2021
- Political IGR Roundtable - 25 June 2021

Following the meeting held on 21 February 2020, IGR meetings could not be held physically until August 2021 due to the impact of Covid 19.

## INTERNATIONAL RELATIONS

The Covid 19 pandemic has highlighted a wide range of challenges faced by municipalities as a result of the pandemic. A major concern is a reduction in revenue collection owing to job losses, reduced household incomes, and inability to recover revenue from normal revenue streams.

Service delivery has been hampered by the impact of Covid 19 and the lockdown. While essential services have been allowed to operate throughout the lockdown, the economic and social impacts of the pandemic have hindered efficient service delivery across all cities. Bearing the current situation and taking into consideration the South African Economic and Recovery plan as well as broader issues faced by the Metro, an International webinar was held with potential donors, experts and strategic provincial and national government departments to explore the funding opportunities available to the Metro, which it could harness in the long-term economic recovery process. BCMM held The International Relations and Development Partnerships for Economic Recovery Webinar that was held on 28 May 2021. The Speakers from the following organisations presented at the session:

- South Africa: National Treasury Department: Senior Policy Analyst: Knowledge Management and Research - Mr Siphwe Mkize and Director Economic and Infrastructure Sectors: Ms Seema Naran
- Office of the Premier, Eastern Cape Province: International Relations and Cooperation - Mr Malusi Mahlulo
- United Cities and Local Government Africa: Cabinet of the Secretary-General Senior Advisor Lead Strategy & Partnerships in UCLG Africa - Mr Christophe Lumsden
- AIVP – A worldwide Network of Port Cities: International Project Manager - Dr. Ing. José M Pagés Sanchez
- World Bank: Country Director – Ms Marie Françoise Marie-Nelly
- International Finance Corporation: Operations Officer Infrastructure - Ms Philippa Vivienne McLaren
- Japan International Cooperation Agency: Chief Representative, Mr Minoru Homma
- South African Cities Network: CEO - Mr Sithole Mbanga

BCMM also coordinated and/or participated in international activities with sister city counterparts:

- Participated in the UNITE Conference on the Sustainable Development Goals with the City of Oldenburg from 5 November to 19 November 2020. BCMM presented some of the projects that were funded by the Engagement Goal donor i.e. The Model Energy Efficient Public Building and the Water Awareness Project.
- Donation of PPEs from the City of Jinhua, China 4 – 12 February 2021: The Executive Mayor handed over Masks and other PPEs to the following hospitals as part of the donation from the City of Jinhua in China:
  - Bhisho Hospital
  - Grey Hospital
  - Frere Hospital
  - Cecilia Makiwane Hospital
  - Nqubele Hospital
- BCMM and City of Oldenburg Awareness Raising on the Protection of Scarce Water Resources Project launch and Closeout Event took place on 9 December 2021. It showcased the promotional activities to encourage households and businesses to use water consciously and sparingly due to the reduced water resources and drought situation experienced by the Metro.
- Preparing for the go-CAM Water Webinar: Climate Change and Water Security in the BCMM on 5<sup>th</sup> July 2021 with the City of Oldenburg and OOWV the Oldenburg Water Authority to showcase the project and share lessons learnt from cooperating with the City of Oldenburg and OOWV.

Participated in the International Centre for Local Democracy - Seminar on Inclusive Cities and the Sustainable Development Goals on 4 and 5<sup>th</sup> May 2021.

T 2.3.0

## NATIONAL INTERGOVERNMENTAL STRUCTURES

The intergovernmental system depends on well-coordinated policy, budgeting, implementation and reporting. Municipalities are normally represented on national intergovernmental structures by “organised local government”, namely the South African Local Government Association i.e. SALGA.

The following intergovernmental forums play an important role in cooperative governance and in shaping policy and resource allocation decisions:

**Extended Cabinet:** This is made up of the national cabinet, premiers of provinces, and the chairperson of SALGA. It is the highest cooperative governance mechanism, advising the national cabinet when it finalises the fiscal framework and the division of revenue on which MTEF budgets are based.

**The President’s Coordinating Forum:** This is chaired by the President and comprises the nine provincial premiers, the chairperson of SALGA, the mayors of metros and the national ministers responsible for cross-cutting functions such as provincial and local government affairs, public service and administration, and finance. Other national ministers are also invited to participate.

**The Budget Council and Budget Forum:** Is established under the Intergovernmental Fiscal Relations Act (1997). The Budget forum consists of the members of the Budget Council plus representatives of SALGA. It provides a forum for discussing financial matters relating to the local government fiscal framework.

**MinMECs:** These are sectoral policy forums made up of the national ministers responsible for concurrent functions and their provincial counterparts. SALGA represents local government on a number of these forums. The purpose of MinMEC is to consult, coordinate implementation and align projects between National, Provincial and Metros. The Executive Mayor however participates in the Political MinMEC and the City Manager participates in the Technical MuniMEC.

The Executive Mayor participates in the President's Coordinating Forum. Some of the discussions in the financial year have been:

- Covid 19 and matters of the National Command Council
- District Development Model and One Plan
- Gender-Based Violence and Femicide

The Executive Mayor is the Chair of the Local Command Council and the District Development Model and the One Plan Local Political Champion. National policies have a direct impact on local government and participating in these forums ensures that BCMM and its communities benefit from information, benefits and new guidelines enacted by National Government. *T2.3.1*

## **PROVINCIAL INTERGOVERNMENTAL STRUCTURES RELATIONS WITH MUNICIPAL ENTITIES**

In the case of Buffalo City Metro, and in terms of the BCMM IGR Framework, BCMM has the following IGR Structures which are the mechanisms to enable engagement, alignment, integration, coordination, consultation, prioritization and focus, namely the:

- BCMM Political IGR Forum
- BCMM Technical IGR Committee
- BCMM IGR Core Group
- BCMM IGR Political Roundtable (New)
- BCMM IGR Technical Roundtable

The main purpose of the BCMM IGR Structures are to:

- Improve integrated planning with other spheres and agencies of government.
- Engage Sector departments on issues and projects that are cross-cutting with BCMM.
- Jointly resolve challenges faced within wards which are not part of BCMM functions.

The structures are chaired by political and administrative representatives who meet as per the IGR Calendar as per below:

STRUCTURE	RESPONSIBLE	RESPONSIBILITY	MEETINGS
BCMM Political IGR Forum	Chaired by the Deputy Executive Mayor with representation from the Mayoral Committee, City Manager, HOD's, Representation from Sector Departments, Parastals, and State-owned Enterprises.	Facilitates IGR within the Local Municipality, amongst (provincial and national government department within BCM), State Owned Enterprise within BCMM. The main objective of the Buffalo City Metro Municipality IGR Forum is to enhance integrated development and consider priorities that require intervention in the Metro.	2 meetings a year
BCMM Technical IGR Forum	Chaired by the City Manager or his nominee and is represented by HOD's, municipal officials, parastals, state-owned enterprises and agencies of all three spheres.	The functions of the Technical Support Structure include: <ul style="list-style-type: none"> <li>• Providing technical support and advice to the Buffalo City Metro Municipality IGR Forum</li> <li>• Ensuring implementation of the decisions of the Buffalo City Metro Municipality IGR Forum</li> <li>• Reporting on progress in the implementation of the priorities and programmes as determined by the Buffalo City Metro Municipality IGR Forum.</li> <li>• Designing integrated programmes on policy implementation with clear timeframes.</li> <li>• Performing duties as delegated to them by the Buffalo City Metro Municipality IGR Forum.</li> </ul>	2 meetings a year
BCMM Core Group	Chaired by the HOD: ESS This structure is made up of BCMM, COGTA, OTP, SALGA and Treasury.	This structure looks at issues of governance including new policies, programmes or projects that impact on IGR.	As and when required
BCMM Political Roundtable	Chaired by the Deputy Executive Mayor. It is represented by members of the Mayoral Committee, City Manager, HOD's, Representation from Sector Departments, Parastals, and State-owned Enterprises.	This IGR Political Structure looks at outstanding and urgent matters needing political intervention between the Metro and other spheres which require one on one engagement.	2 meetings x year
BCMM Technical Roundtable	Chaired by the HOD: ESS is represented by HOD's, municipal officials, parastals, state-owned enterprises and agencies of all three spheres.	Discusses and finds solutions raised from the IGR Forums in preparation for the IGR Political Roundtable.	2 x meetings a year
Three Sphere Engagements	Chaired by the City Manager is represented by HOD's, municipal officials, parastals, state-owned enterprises and agencies of all three spheres.	Enables input on projects, budgets and commitments from other spheres in the BCMM jurisdiction into the IDP and One Plan	2 x meetings a year

The BCMM Political and Technical IGR sessions have been successfully held with representation from all three spheres of government. However, the Covid-19 pandemic did impact negatively on the hosting of meetings. In light of the pandemic, from August 2020 until to date, BCMM has held 95 % of its all its meetings on the virtual Microsoft team's platform.

## IGR MEETINGS

The Buffalo City Metropolitan Municipality held the following IGR Sessions during the year under review:

- IGR Core Group Meeting - 14 July 2021
- Technical IGR Session - 25 August 2021
- Political IGR Forum – 17 September 2021
- IGR Roundtable - 15 October 2021
- Technical IGR Session – 19 November 2021
- IGR Core Group Meeting - 17 & 18 February 2022

In 2021/2022 BCMM saw the need to review the IGR Framework and the Terms of Reference due to:

- Provincial IGR Framework Review
- IGR Framework Act 2005 Review
- Introduction of the District Development Model and One Plan
- To include BCMM's current structures and processes which were not part of the 2013 BCMM IGR Framework

The review is also necessary because of the following:

- BCMM not complying for compliance's sake but the need for innovative ways to make IGR work;
- Room for improvement in IGR Coordination across BCMM and in the other two spheres;
- To ensure that the IGR Forum is more functional with tangible measurable outputs and achieving key strategic outcomes for BCMM;
- Ensure IGR be seen as a cross cutting issue so BCMM is more efficient and effective;
- Need for more alignment with IDP, the PGDP and NDP;
- Ensure more realistic and credible IDP and One Plan

BCMM currently in 2022 is in the process of reviewing the BCMM IGR Framework and Terms of Reference. This process is complementary to the current new term of office of the new council. T 2.3.2

## RELATIONS WITH MUNICIPAL ENTITIES

### Establishment and Rationale

Municipal Systems Amendment Act 44 of 2003 (MSA):

- a. Chapter 8A S86B (1) (a) a provision is made of a private company as a Municipal Entity
- b. S86E (1) (b) the amended act provides: the municipality may establish a private company for purposes of performing a function or power in accordance with business practices to achieve the strategic objectives of the municipality more effectively and to the benefit of the community.

### Municipal Entities

The entity of the BCMM is the Buffalo City Metro Municipality Development Agency BCMDA was operationalized in July 2016. In terms of the configuration of the municipality the Agency's work is coordinated and largely supports and complements the objectives of the Economic Development and Entities Department. The entity is entirely owned by the BCMM which is its primary shareholder. The current Chief Executive Officer of the Agency is Mr Bulumko Nelana who assumed his duties in October 2017. The Chief Executive Officer and management account to the Board of Directors which is appointed by the shareholder. The function of the Board of Directors (Board) is primarily to ensure good governance, accountability and strategic leadership.

In steering the entity's strategic development the Board draws reference and aligns its work to the Metro Growth and Development Strategy as well as the public through participating in public participatory forums of the municipality where stakeholders provide feedback to municipalities on needs and priorities.

The Board approves the final policies once they are presented by management and monitors the implementation of these plans. The Agency reports regularly to the Council through the Office of the City Manager which receives monthly financial and quarterly performance reports, and these are accompanied by consistent consultations to ensure the management of programs. Below are some of the governance procedures that regulate the Agency:

- a. Council appoints Board Members for the entity.
- b. The Board appoints the CEO and the Executive Directors.
- c. The CEO reports to the Top Management of the City on a monthly and quarterly basis.
- d. The CEO is a member of the Municipal Council and forms part of the senior management team.
- e. Quarterly reports of the entity are submitted to BCMM Council.
- f. The City Manager of BCMM and appointed Councilors are Board Members of BCMDA.
- g. BCMDA holds an Annual General Meeting where the Chairperson of the Board tables the Integrated Annual Report of the Agency to the shareholder (represented by the Executive Mayor) for adoption.

### The Agency's Development Trajectory

The table below outlines the general development trajectory of Agencies and how they mature to being fully functioning entities. It has been 5 years since the establishment of the Agency and it is evident that several objectives have been achieved, more specifically phase 1, phase 2 and phase 3 as well as elements of phase 4.

These achievements thereof attest to the good quality of stewardship and management of the agency. The next three years will be directed at driving the agency to full maturity and developing a firm pipeline of projects to ensure business continuity and sustainability (phase 5).

AGENCY ESTABLISHMENT MODEL/ PROCESS			
PHASE	AGENCY DEVELOPMENT	OBJECTIVES	YEAR
Phase 1	Pre- funding	Political Buy-in for Agency concept / support and assistance/ no finance.	-1
Phase 2	Pre-establishment	Establishment of legal entity / internal and external systems and procedures (Municipality and Board) / Grant funding.	0
Phase 3	Establishment	Formal Agency establishment / 5-year strategic plan / policies/ Staff recruitment / operational and funding model / projects based on partnerships and small capital grant.	1 – 3
Phase 4	Operational / Fully functional	Programme and project planning / facilitation of investments / project launches / overseeing design and implementation / Review of strategic plan/ Operational and Capital grants.	4 – 6
Phase 5	Business Continuity	Functional Agency / critical mass of projects / Semi- grant development.	7+



The BCMDA mandate is centred on investment attraction and economic growth in the City while maintaining strategic alignment with BCMM. The agency focuses on:

- Tourism Development
- Property Development
- Socio-Economic Development
- Investment Promotion



On the other hand, BCMM focuses on:

- An inclusive and sustainable economic growth.
- A globally connected city.
- A clean and environmentally sustainable city.
- A well-governed city.

The Service Delivery Agreement (SDA) requires that BCMDA play a critical role in ensuring the City realizes its strategic aspirations by performing both a facilitation function as well as a delivery function for the city.

### **BCMDA has five strategic goals**

- A stable, financially viable and fully capacitated agency delivering its mandate efficiently and effectively
- A dynamic tourist destination through infrastructure investment and promotion
- Acquire, plan, develop and manage land and buildings
- The facilitation and delivery of socio-economic development programmes
- Project preparation packaging and investment facilitation

## **BCMDA Funding**

The Agency is completely owned by the BCMM and receives its funding for operations and capital projects from the BCMM. The Agency's reliance on the BCMM for funding may prove to be unsustainable in the future, requiring alternative sources of revenue / a more sustainable funding model. The following are possible revenue sources:

- Grants and Bonds
- Loans
- Interest
- Donations and Sponsorships
- Dividends
- Rentals and Sales

In addressing this, the Agency has developed its Financial Sustainability Strategy which was adopted by the Board and was adopted by Council in the 2020/2021 financial year. Further work is to be undertaken to operationalize the strategy between the Agency and the City. As a step towards this, the BCMDA has developed a broad Financial Sustainability Strategy Implementation Plan which has been adopted by the Board.

## **Flagship capital projects**

- Upgrade of Court Crescent
- Water World Upgrade and Extension
- Land Parcel Investment Development (Sleeper Site, Marina Glan A, Seaview Terrace & Water World Phase 2)

## **Support required by BCMDA**

- Support BCMDA's development offerings
- Assists in better resourcing (i.e. budget and skills) of the BCMDA
- Increase and diversify the provision of land parcels to include other development sectors
- Increase funding for project packaging to have investor-ready projects
- Better coordination/integration between BCMDA and BCMM Directorates
- Fast track mechanisms in the approval processes for BCMDA

## **Concerns raised through various engagements with developers**

- Consistency in the assessment of developments outside the urban edge
- Long waiting period for assessment of development proposals
- Slow progress with SPLUMA and MPT
- No clear set of incentives or offices that deals with ease of doing business in BCMM
- Investment / Funding is available but no access to land

T2.3.3

## DISTRICT INTERGOVERNMENTAL STRUCTURES

### District Development Model and One Plan

In July 2019, the President officially launched the District Development Model in the OR Tambo District. All spheres of government are therefore required to embrace the model and facilitate its implementation in the interest of improving joint planning, increasing implementation, and improving service delivery. The President proposed the “One Plan” of government or the District Development Model as the best approach to integrate planning, budgeting, implementation and monitoring across all government spheres.

The BCMM One Plan has through various internal and external IGR, IDP and Council engagements, in the final stages of the first-generation One Plan development. The IGR Core Group comprising BCMM’s IGR, IDP and EPMD units together with the Office of the Premier, COGTA and Provincial Treasury have been working jointly on the One Plan for BCMM since January 2020.

Several participatory IGR sessions on the DDM and the One Plan with BCMM, OTP, COGTA, Provincial Treasury and ECSECC were held, and a Gap Analysis Assessment was undertaken by ECSECC. BCMM’s Political and Technical IGR Committees enabled several DDM/One Plan consultative processes to enable the three sphere’s input into the plan and finalise the plan by the deadline of 31 August 2021.

BCMM is currently continuing in 2022 to strengthen the input of projects, budgets and commitments into the Metro space by other spheres for a more informed and accurate IDP and One Plan. BCMM is preparing for the BCMM One Plan Assessment which is scheduled by DCOG in 2022. T2.3.4



# **CHAPTER 2**

## **GOVERNANCE**

### **Component C:**

## **Public Accountability and Participation**

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

In pursuit of promoting public accountability and broadening public participation, the City demonstrated a strong commitment to community-centred participatory approaches in the management of the municipality. Extensive involvement of communities in municipal planning, through established institutional arrangements, demonstrated the City's commitment to the promotion of public accountability. In this regard, significant strides were made in engaging communities through the utilisation of various governance structures at both the Executive and Legislative components of the Council. This ensured the active participation of communities in the development of their areas and ensured that the municipality is accountable to the public. Amongst others, the following included the initiatives undertaken to express and demonstrate the municipality's commitment to providing the community with information concerning issues of municipal governance, management and development.

### BENEFITS DERIVED FROM THE DISABILITY FORUM

People with disabilities often have a triple burden of marginalization and exclusion based on their disability and are part of another vulnerable group for example the elderly and/or often not economically active. Anecdotal statistics show that persons with disabilities are not well-represented in business, politics and academia.

The metro elected a Disability Forum in 2017 from Ward Committee Reps for Persons with Disabilities. This Forum seeks to collaborate with Chapter 9 institutions, state machinery and other stakeholders in addressing the common challenges facing persons with disabilities within society in general as well as local government.

The metro Central Library was selected by the South African Library For The Blind to launch its latest Mini-Lib in September 2019. This facility within the library provides access to both hard and software information and communication technology as well as a braille printer, braille books and an audio lending library for both fiction and nonfiction literature. The King Williams Town library also has a similar project and these initiatives assist with universal access to information and education.

### BENEFITS DERIVED FROM EXTERNAL REPRESENTATIVE FORUM

- Represents the interest of Constituencies in the IDP/BUDGET/PMS process
- Consensus building between all stakeholders and BCMM
- Monitoring of strategic decisions
- Effectiveness and Efficiency of information to all stakeholders

### INTERNATIONAL RELATIONS

In the international space, the Covid 19 pandemic has highlighted a wide range of challenges faced by municipalities as a result of the pandemic. The closure of borders impacted negatively on BCMM International Relations. Many project meetings had to be postponed, however, meetings had to be convened on virtual platforms. Support to BCMM from International Partners to respond to the pandemic during this period was phenomenal. Fortunately, BCMM did not tackle the challenges single-handedly but with international partners as well.

### BCMM International Relations Economic Recovery Webinar

Bearing the current situation and taking into consideration the South African Economic and Recovery plan as well as broader issues faced by the Metro, an International Relations webinar was held with potential donors, experts and strategic provincial and national government departments to explore the funding opportunities available to the Metro, which it could harness in the long-term economic recovery process.

Covid 19 has been a severe shock to urban economies and compounded structural problems, however, it was also seen as a silver lining in that the Covid-19 shock presented cities with an opportunity to rethink their economies, address the long-standing structural problems, and build inclusive, resilient and sustainable economies. BCMM was urged to understand its unique comparative advantages and economic growth drivers; as well as unique challenges, to develop a shared vision and long-term growth and development strategies, with all its stakeholders.

## Donations

The local communities and public health care facilities of BCMM have been facing unprecedented challenges and stress during this time and were increasingly looking to the City for help and guidance. BCMM does not have adequate budgets for crisis management or to provide direct support to public health facilities with personal protective equipment (PPE), therefore BCMM International Relations mobilised personal protective equipment resources from its international partner cities in China and Germany.

International Relations Units' efforts to engage with Chinese and German partners to support BCMM's efforts to fight against the pandemic by donating PPE's to the Metro was supported by the Office of the Executive Mayor. The request was favourably received by Chinese and German counterparts although the respective cities were also fighting the pandemic. The donations from the respective cities to date have been as follows:

CITY	DONATION	VALUE
BCMM Local Chinese Community	4,000 three ply masks	R120,000
BCMM Local Chinese Community	Donation of 135 Food parcels to orphanages	R45,000
City of Jinhua, China	20,000 three ply masks	R600,000
City Jinhua China	30,000 FFP2 masks,	R1,500,000
City of Oldenburg, Germany	2,000 single ply masks	R 50,000
<b>Value</b>		<b>R 2,315,000</b>

BCMM also received three-ply masks and food parcels which were donated by the local Chinese community in the Metro. These were handed over to the following orphanages through the Office of the Executive Mayor:

- Masizakhe Child and Youth Care Centre - Mdantsane
- God's Heart Desire Children's Home - Fort Jackson
- King Williams Town Orphanage

## Beneficiaries

BCMM donated the 20,000 three-ply masks received from the City of Jinhua in China to the Department of Health in the Eastern in its fight against the pandemic.

BCMM received a second donation from the City of Jinhua when the counterparts heard of the second wave of the pandemic in Buffalo City Metro. In December 2020 a request was sent to Jinhua due to an increase in the infection rate in the Metro. A formal request was made which was positively received by the City of Jinhua. A total of 30,000 masks, 20,000 gloves and 990 protective clothing were also donated.

The Bhisho Hospital, Grey Hospital, Frere Hospital, Cecilia Makiwane Hospital and Nqubela TB Hospital in Mdantsane were handed over 5,000 masks, 3,000 gloves and 180 personal protective clothing through the Office of the Executive Mayor.



## **Cooperation with the City of Oldenburg In Germany - "Save water Campaign"**

BCMM's Water and Sanitation Department has been cooperating with the City of Oldenburg's Water Authority OOVV on a "Save the Water Campaign" in 2020/2021.

The project was successfully concluded at the end of 2021 with a water campaign with much promotional material produced including posters, radio announcements as well as a local rap group producing a rap song and video on saving water which was used in the campaign to encourage communities to save water.

## **New Water Project – Cooperation of Water Operators**

BCMM and OOVV and a new water operator in Germany Wupperverband through GIZ, the German Development Agency will be cooperating from 2022 until 2023 on a new project to strengthen the capacity of local municipality water and sanitation to manage and enable a stable and reliable water supply to local communities and residents. The kick-off session took place in February 2022. The project also includes exchanges in both South Africa and Germany to develop the project concept, exchange lessons learnt, and best practices and also undertake research and action plans.

Covid 19 poses a severe health risk across the world which is compounded by the safety and security risks of the war between Russia and Ukraine; having negative impacts on all countries across the globe. This is resulting in an economic downturn in the economies across the world with countries concerned with their investments across the globe. This requires a new way of thinking about international relations for the City. Therefore in April 2022 BCMM has embarked on a process of reviewing its International Relations Framework to consider changes in the world and their impact on the City's international relations strategy, which will require new methods of cooperation with partners abroad. *T 2.4.0*

## **PUBLIC MEETINGS**

### **Communication, Participation and Forums**

BCMM employs various mechanisms for public communication and participatory to ensure that the citizens are well-informed and capacitated to optimally take part in municipal processes and programmes. Public Participation has created a platform for an interface between the Municipality and the Community.

Public communication methods that are utilised to inform the public include the municipal website, national, regional and community radio stations, social media as well as print media in the form of advertising in the local newspapers. Loud-hailing in communities and flyers/pamphlets are utilised to mobilise members of the community to attend municipal-organised meetings and events, including the IDP/Budget road shows which are held throughout the municipality on an annual basis.

## **NATIONAL FORUMS PARTICIPATION**

In terms of the Constitution, the government is constituted of three spheres; namely national, provincial and local government. These spheres are distinctive but are however interrelated and interdependent. All three spheres are obliged to observe and adhere to the principle of cooperative government and intergovernmental relations.

All spheres must firstly, be effective, transparent, accountable and form a coherent government; secondly, respect the constitutional status, institutions, powers and functions of government in other spheres of government; and thirdly, cooperate in mutual trust and good faith.

Further, the Constitution provides for an Act of Parliament to establish or provide for structures and institutions to promote and facilitate intergovernmental relations. In this regard, the Intergovernmental Relations Framework Act establishes a framework for national, provincial and local governments to promote and facilitate intergovernmental relations and provide for mechanisms and procedures to facilitate the settlement of international disputes.

National forums play a central role in promoting cooperative government and intergovernmental relations. It brings together senior representatives of three spheres of government, that is national, provincial and local government, to consider issues, including issues relating to how all spheres are impacted by the decisions taken at a national level. Some of the forums include the Presidents Coordinating Forum, National Communicators Forum, National Council of Provinces, etc. Invitation to national meetings is extended to the Executive Mayor, City Manager and Heads of Directorates.

Participation in National forums promotes the principles of cooperative governance, improves the capacity to monitor and assess the performance of the metro, ensures a coordinated and co-operative approach to service delivery; enhances the impact of public participation initiatives and BCMM's role in promoting sound internal fiscal administration in international fiscal matters. Regarding fiscal capacity and efficiency - when resources are allocated by National Treasury, BCMM needs to ensure that there is the necessary capacity to utilise those resources within the timeframes given, are used efficiently and without wastage. These forums, therefore, provide guidance, and support as well as help monitor BCMM's performance of its core functions and responsibilities.

Buffalo City's IDP and Budget development was undertaken in an inclusive, integrated and procedurally consistent manner in line with an approved IDP/Budget/PMS Process Plan and Time Schedule which was compiled following Section 28 and 29 of the Municipal Systems Act and Section 21(1) of the Municipal Finance Management Act. A revised IDP/Budget/PMS Process Plan and Time Schedule IDP was approved by Council because some planned engagements were rescheduled as a result of challenges experienced due to the Covid 19 Global Pandemic.

The IDP process is an outcome of an intensive and detailed series of engagements with our communities through the following key participatory democracy instruments:

- Mayoral Imbizos
- IDP/Budget/PMS Workstreams where external stakeholders also participated in the deliberations
- Ward Committee engagements and activities throughout financial years whenever possible within the regulatory restrictions in the Covid-19 Global Pandemic); and
- IDP Ward Priorities Sessions were held with Ward Councillors from each of the three functional regions on the review of Ward Priorities in preparation for the new five-year IDP.
- IDP/ Budget Roadshow, Business Leaders Webinar and Youth Webinar - to consult the Draft IDP, Budget and BEPP

The draft 2021/2026 IDP and MTREF Budget as well as BEPP was tabled at Council on 31 March 2021 and adopted on 23 April 2021. Thereafter the draft documents were made available to the community via the municipality's website, and hard copies were made available at customer care offices and municipal libraries. Further, consultation took place through various media platforms, for example, radio, social media, etc. This process was undertaken from 8 to 15 July 2021.

The District Development Model (DDM) was approved by Cabinet as a government approach to enhance integrated development planning and delivery across the three spheres of government with district and metro spaces as focal points of government and private sector investment. The envisaged integrated planning and delivery in the district and metro spaces will be enabled by joint planning, budgeting, and implementation processes.

It is acknowledged that the DDM introduces a new planning instrument in the form of the One Plan. This process comes into a planning environment where there are existing planning instruments at local, provincial, and national levels of government. However, the One Plan is not meant to replace any of the existing prescribed development, departmental strategic and annual performance plans that each sphere, department and state entity is responsible for or required to develop. The One Plan is rather informed by these plans and once in place, it will guide the review of these plans and budgets.

The introduction of the DDM was welcomed by BCMM as a new planning instrument meant to augment the existing planning instruments at local, provincial and national levels of government.

One Plan is an intergovernmental plan that outlines a common vision and desired future outcomes in each of the 44 districts and 8 metro spaces. One Plan was compiled in-house by the BCMM IDP Department in collaboration with the IGR Department. It is understood that One Plan is not meant to replace any of the existing prescribed development, departmental strategic and annual performance plans that each sphere, department and state entity is responsible for or required to develop. One Plan is rather informed by these plans and once in place, it will guide the review of these plans and budgets.

The BCMM Technical IGR Forum is functioning very well and has served as a critical catalyst for three-sphere strategic planning within the framework of the District/Metro Development Model and the metro's IDP Process Plan. The Political IGR Forum has also been revived with great success and met on 17 September 2021, the first one having been held on 9 April 2021 and the second one on 25 June 2021. Officials from the Provincial and National departments, as well as parastatals and State-owned Enterprises, have also participated very well in the IDP Workstreams of the City. BCMM, as a result, could submit its first generation One Plan as a product of the collaborative strategic planning efforts of all three spheres of government.

On 17 September 2020, the IGR and IDP Units of BCMM submitted two reports to Top Management to initiate the implementation of the MDM in the metro by recommending the institutionalisation of the MDM through the standing IDP/Budget/PMS Workstreams which are utilised by the metro to coordinate and facilitate transversal and horizontal alignment as part of the IDP Process. The report also illustrated how the IDP, and MDM Processes would be aligned and sought approval for the Implementation of the Metro Development Model Concept and Process Plan for Buffalo City Metro to strengthen integrated planning, implementation and monitoring.

The key recommendations approved by Top Management include:

- The implementation of the Metro Development Model Concept and Process Plan for Buffalo City Metro to strengthen integrated planning, implementation and monitoring.
- The participation of IGR and civil society partners is to be pursued and sustained during the activities of the IDP/Budget/PMS workstreams.
- That the IDP/Budget/PMS Workstreams and the BCMM Covid 19 Ward Based Rapid Response Task Teams form part of the institutional arrangements for the implementation of the District/Metro Development Model, IDP/Budget/PMS Process Plan and Covid 19 Response plan for the Buffalo City Metropolitan Municipality.
- The IDP/Budget/PMS Workstreams consist of external representatives from, amongst others, civil society organisations, businesses, provincial and national government sector departments, parastatals and state-owned enterprises.

The following forums are used by BCMM throughout the year to consult members of the community:

- IDP/Budget/PMS Workstreams
- IDP/Budget/PMS External Representative Forum
- IDP/Budget roadshows
- Business Leaders Webinar
- Youth Webinar
- Executive Mayoral Imbizos
- Communicator's Forum

## TRANSVERSAL VULNERABILITY REDUCTION MAINSTREAMING

The following groups are deemed to be “vulnerable” within the metro’s development trajectory; Women, Older Persons, Children and Youth, Persons with Disabilities as well as persons infected and affected by HIV and AIDS. The Municipal Systems Act (Act No 32 of 2000), Section (2) states that “a municipality must establish appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality”; Section (3) of the same Act states that, when establishing mechanism, processes and procedures in terms of Section (2) the municipality must take into account the special needs of people who cannot read or write; people with disabilities; women and other disadvantaged groups. To this end, the metro has institutional structures for vulnerable groups to participate in metro processes including the Gender, Disability and Older Persons Forums as well the Metro AIDS Council.

The City strives for holistic transversal mainstreaming in keeping with its development trajectory to reduce vulnerability. This means that the metro’s core deliverables and mandate must seek to support and beneficiate vulnerable groups whose needs ought to be reflected and tracked across the operation plans and budgets of all departments and linked to the City’s performance management and financial reporting systems.

The reporting, monitoring and evaluating of transversal mainstreaming of vulnerable groups issues in directorates’ planning and budgeting remains a challenge and typically directorates grapple with how cross-cutting issues are impacted by service delivery and vice versa. To this end shared / cross-cutting vulnerability-reducing indicators and targets (similar to those prescribed in MFMA Circular 88) in respect of at least two local government specific vulnerability reducing indicators should be institutionalized within the metro’s Performance Management and financial reporting systems such that each directorate can account and quantify the beneficiation towards youth, gender and the disability sector within that directorate’s core business.

As the sphere of government closest to the people, the metro is well placed to institutionalize vulnerability reduction through the provision of basic services and reporting on economic, employment and entrepreneurial opportunities created. The metro has signed an agreement with Harambee Youth Employment Accelerator and a youth hub has been established at the EL Central Library with outreach activities into wards to reach out to youth with information and opportunities for employment well as upskilling initiatives to make them more marketable.

The three BCMM Youth Development Centres situated at the KWT Civic Centre, Gompo Arts Centre and Mdantsane Community Support Centre work closely with Harambee to provide youth with career guidance, free access to computer labs, free wi-fi and information on opportunities including bursaries, learnerships as well as preparing youth for employment through curriculum vitae development, interview preparations and linking to entrepreneur programmes. Youth Officers undertook outreach activities for both in and out-of-school youth. *T 2.4.1*

## WARD COMMITTEES

Ward Committee’s are part of the government’s effort to deepen participatory governance where citizens must play an active role in the affairs of local government. The responsibilities of Ward Committee members are to inform the communities about the programs which the government and the private sector are bringing to speed up the provision of basic services, and complement the work of Ward Councillors. The term of 2016 Ward Committees came to an end on 01 November 2021, they were issued with “Certificates of Appreciation” which were distributed to ward offices for collection. A farewell function could not be organized due to COVID-19 regulations and budget limitations.

Subsequently, the Council resolved on 26 January 2022 to establish ward committees for the new term of Council. The Provincial Department of Local Government and Traditional Affairs commissioned an induction training programme. The training was conducted over two days from 01 June 2022 to 29 June 2022 covering four groups (clustered) in different venues to prepare Ward Committee members for their role as advisory bodies on Council policies and matters affecting communities in the respective wards.

The induction training included the swearing-in of ward committee members and the signing of the Code of Conduct. Each Ward Committee member received stationery, Ward Committee Handbook and a BCMM-branded backpack. A Capacity Building plan will be developed for further training and workshops.

### **COMMUNITY DEVELOPMENT WORKERS (CDWS)**

CDWs are public servants employed by the Provincial Department of Local Government and Traditional affairs. They are attached to the municipality, hence they should work closely with Ward Committees. They coordinate and synergise development and service delivery in all spheres. 29 CDWs are working in 50 wards of BCMM, 15 (East London), 7 (Mdantsane) 7 (King William's Town). 21 Wards have no CDWs however those wards are serviced by the closest CDWs. CDWs participated in various municipal programmes.

### **MORAL REGENERATION MOVEMENT (MRM)**

The Moral Regeneration Movement is a movement that seeks to assist in the development of a caring society through the revival of the spirit of Ubuntu and the actualisation and realization of the values and ideals enshrined in the Constitution, using all available resources and harnessing all initiatives in government, business and civil society. The newly elected Moral Regeneration Movement Executive Members held their Induction over a two-day session from 12-13 October 2021. The movement requires sufficient funding and resources to advance transformation. T 2.4.2

DATE	NATURE OF MEETING	PURPOSE OF THE MEETING	TARGET GROUP	TARGET NO
07-10 March 2022	Public Participation process on Council Rules and Orders.	To engage communities on the amendment of Rules and Standing Orders of Council.	All BCMM Communities	400
3-5 May 2022	IDP/Budget Road Show. Live on community radio stations i.e. Keith Ngesi radio, Wildcoast FM, Mdantsane FM, Izwilethemba FM, and Kumkani FM.  Buffalo City Metropolitan Municipality Facebook pages Dispatch Live and BCMTV.	To consult the public on the Draft IDP, MTREF Budget and draft policies.	All BCMM Communities	All
25 May 2022	Business Support Financial Information Sharing session at Town Hall in King William's Town.	To share information about the services offered by the Business Support Unit, the types of funding available and the criteria used to qualify. Other stakeholders Department of Social Development, Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) and Eastern Cape Development Corporation (ECDC) also shared their different ways of support for the SMME's.	SMME's and Cooperatives	400
24 June 2022	Environmental Pollution Awareness Program at Blue Lagoon.	To share information, build relations and facilitate proper communications and improve the understanding of service within the environmental sector.	Stakeholders such as DEDEAT, Stutt Group, Johnson & Johnson, Nestle & others.	
24 June 2022	State of the City Address.  Live on MpumaKapa TV Channel 260, Dispatch Live, Kumkani FM, Link FM and Mdantsane FM,  Buffalo City Metropolitan Municipality Facebook pages.		All BCMM Communities	All

#### T.2.4.3

## COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

- Participatory democracy is strengthened.
- The Municipality makes more appropriate decisions based on the priority needs of the community.
- Community ownership is promoted to instill hope, own their projects and become part of the solution.
- The concerns and inputs of the community about service delivery, general development of the community, disaster management and any other community concern were recorded.
- Better decisions are made, with more positive outcomes, sustainability and a sense of ownership.
- However, the lockdown and stringent measures on social distancing disrupted the scheduled meetings and resulted in the cancellation of ward public meetings during the 2020/2021 financial year.

T 2.4.3.1

## 2.5 IDP PARTICIPATION AND ALIGNMENT

IDP PARTICIPATION AND ALIGNMENT CRITERIA	YES/NO
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

T 2.5.1





# **CHAPTER 2**

# **GOVERNANCE**

## **Component D:**

## **Corporate Governance**

## COMPONENT D: CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance seeks to build trust, accountability, and openness to foster financial and governance stability. This stability can only be guaranteed when it is implemented under a risk-based strategy/plan. Confidence in the organisation can only be guaranteed when there are reasonable assurances that the plans and strategies are being implemented under a strict and compliant legislative environment. T 2.6.0

### RISK MANAGEMENT

#### 1. Risk Governance and Approach

The City continues to improve in terms of ensuring that the risk management culture improves, and risk is embedded into planning, budgeting, daily operations and most importantly into decision making. The City has adopted an integrated approach to risk management which, includes the risk identification, risk assessment, risk monitoring and reporting.

The realization of BCMM's IDP depends on those charged with governance being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders, hence Council had adopted an enterprise-wide risk management framework which serves as a base on how risks are to be managed and opportunities are to be explored to achieve the City's strategic objectives.

##### 1.1 Risk Management Committee

The City has established a risk management committee chaired by an external Chairperson with all HoDs being members, whose responsibility is to assist the Accounting officer in ensuring that there is an effective and transparent system of internal controls, governance, and risk management. The committee holds quarterly meetings and during the year under review has been able to fulfill its role and had set all four meetings. Reports on the status of risk management have been tabled quarterly to the Audit Committee who plays an oversight role and who is obligated to report to Council on the status of risk management within BCMM.

##### 1.2 Risk Management Maturity Level

A risk maturity assessment was undertaken through the National Treasury maturity assessment tool and the City is currently at level 3.0. This means that the City is at a stage where risk management is clearly defined, systems established however not yet at a stage of full and effective implementation of risk management. More work needs to be done to push the level forward. A desired level would be at least a level 4 which means the City would be at a point wherein risk management has gradually been embedded on the planning processes, operations, and decision-making processes of the City.

Over the years the City has taken a firm resolution of ensuring that risk management culture improves and risk is embedded into planning, daily operations and most importantly decision making. The City has not yet reached a desired risk management maturity level but is however committed to improve the status quo hence during the year under review a turnaround plan was adopted. The plan focuses on improving the risk Management culture throughout the organization. The implementation of the plan is monitored by the risk management committee, Audit Committee and quarterly reports are tabled to Council.

#### 2. BCMM's Risk Profile

The Major impact of the global pandemic: Covid 19 has led to significant changes in the risk profile of the City. The Major risks that the City continues to face is declining revenue collection, Illegal and non-metered electricity connections, land invasion which has a negative impact on the spatial development and other plans of the City, poor contracts management which results at times to irregular expenditure being incurred. Further the City has been facing an increasing rate of vandalism, theft and damage of Municipal assets and infrastructure.

Several mitigation strategies had been committed which includes the rolling out of the smart metering projects, addressing meter and other infrastructure tampering, electrification of informal settlements and Installation of optimal fibre to support business connectivity and infrastructure.

The following are the top six risks:

RISK NO	RISK CATEGORY	RISK NAME	RISK DESCRIPTION	RISK CAUSES	MITIGATION ACTION PLAN	STATUS OF IMPLEMENTATION AS AT 30 JUNE 2020
SR1	Financial	Financial Sustainability	Declining revenue collection rate	a. Lack of full implementation of the revenue enhancement strategy- (exploring other revenue generation sources) b. Culture of non – payment by communities c. Inaccurate billing information on the system d. Incomplete/in-accurate indigent register	1. Implement revenue enhancement strategy 2. Continuous enforcement of revenue management policies 3. Installation of the Smart Metering for both electricity and water 4. Address meter and other infrastructure tampering	1. The Revenue Enhancement Strategy is implemented institutionally as various directorates are responsible. It is also driven from the Office of the City Manager. The Revenue Management Department implements the applicable Revenue Enhancement Strategy items as listed. 2. The policies are implemented on a daily basis, which includes, Billing, Tariff Policy, Credit Control Policy, Indigent Support Policy, Receipting Policy and Rates Policy. 3. The Smart Meters has been rolled by the City especially on Water and Electricity on business consumers and non-purchases. 4. The Meter tampering as identified is reported to the HOD Infrastructure as there is a Revenue Protection Unit responsible for the function. 5. The 60/40 was implemented for Indigent Debtors in terms of the Credit Control Policy.
SR2	Financial	Supply Chain Management	Poor contracts Management, non-compliance to SCM regulations		1. Developing of Standard Operating Procedures aligned to SCM Functions in line with the City infrastructure Development System (CIDMS). 2. Implementing e-procurement system for all the procurement thresholds 3. Filling all vacant funded position including vacant senior management positions.	1. The process of importing of active contracts will soon be undertaken as a thorough process. Contract holders or service providers must also register on eprocurement as a requirement. 2. The deployment of system changes and enhancement are still pending due to the delay in signing the SLA by the service provider. 3. Positions have been filled at SCM except for senior manager positions.
SR3	Loss \ theft of assets	Safety and security of Municipal assets and infrastructure	Vandalism, damage, theft of municipal assets and infrastructure	Inadequate security in some of the public amenities such as sports fields, community halls, etc.	1. Rollout of the BCMM CCTV Master Plan to all the regions. 2. Address the shortage of Security Personnel. 3. Address the shortage of Law Enforcement Officer	1. CCTV Cameras have been installed at West Bank area, King Williams Town and Leaches Bay. New Tender Specifications have been developed for the award of a New Multi-Year CCTV Contract in line with the CCTV Master Plan. 2. Security Risk Analysis – is bid evaluation stage (tender C3226)

RISK NO	RISK CATEGORY	RISK NAME	RISK DESCRIPTION	RISK CAUSES	MITIGATION ACTION PLAN	STATUS OF IMPLEMENTATION AS AT 30 JUNE 2020
SR4	Service Delivery	Energy efficiency	Illegal & non-metered electricity connections and Aging infrastructure	<p>a. High number of Illegal connections in informal areas due to uncontrolled urbanisation. (Land Invasion).</p> <p>b. Increase in meter tampering possibly due to increase in electricity tariffs and consumers unwilling to pay for electricity as they see illegal connectors getting free electricity.</p> <p>c) Low maintenance and capital replacement funds</p>	<ol style="list-style-type: none"> <li>1. Electrification of informal settlements and provision of formal housing</li> <li>2. Implementation of Smart Metering project</li> <li>3. Ongoing, regular billing at premises where "theft" previously detected</li> <li>4. Implementation of By Laws/regulations, Credit Control Policy and Tariff Policy in place.</li> <li>5. Implement Maintenance program</li> </ol>	<ol style="list-style-type: none"> <li>1. Electrification of 700 TRA for eradication of informal dwellings and to reduce illegal connections</li> <li>2. Smart metering project continues implementation with targeted numbers still on plan for the year 2021/22. Some 42117 meters installed to date.</li> <li>3. Accurate billing being done monthly on all properties with smart meters and associated faults being programmatically reported on.</li> <li>4. By laws being enforced in conjunction with Law enforcement.</li> <li>5. Maintenance is being rolled out though there are budgetary constraints.</li> </ol>
SR5	Environmental compliance	Solid Waste Management	Inability to render efficient and effective waste management services- (Non exploration of alternative methods to improve solid waste management	<ol style="list-style-type: none"> <li>1. Lack of waste management facilities e.g., Transfer stations; waste recovery facilities, recycling, buy back centers</li> <li>2. Old and dilapidated plant</li> <li>3. Non exploration of alternative methods to improve solid waste collections</li> </ol>	<ol style="list-style-type: none"> <li>1. Adoption of the draft IWMP (Integrated waste management plan)</li> <li>2. Construction and upgrading of mini garden stations</li> <li>3. Collection of refuse as per the revised collection schedules.</li> <li>4. Purchase of fleet</li> </ol>	<ol style="list-style-type: none"> <li>1. The IWMP has been reviewed and finalized.</li> <li>2. The City is in the process of identifying land for construction of mini transfer stations in Nompumelelo and Mzamomhle.</li> <li>3. The revised refuse collection schedule has been implemented at both Inland and Midland regions.</li> <li>4. An official order for purchase of vehicles has been issued and now awaiting for delivery.</li> </ol>

RISK NO	RISK CATEGORY	RISK NAME	RISK DESCRIPTION	RISK CAUSES	MITIGATION ACTION PLAN	STATUS OF IMPLEMENTATION AS AT 30 JUNE 2020
SR6	Service Delivery	Roads and Stormwater	Insufficient resourcing and funding for development and maintenance of a sustainable infrastructure network.	<p><u>Roads</u> Based on the assessments done by the department, the current proportion of roads is in the Poor to Very Poor condition grade is <math>\pm 45\%</math> of the Surfaced roads and <math>\pm 35\%</math> of the Gravel roads network.</p> <p><u>Storm Water</u> There is a significant backlog in the maintenance and upgrade of the existing storm-water drainage systems in the city with 21% of the infrastructure in a Poor condition.</p> <p>Changing climatic conditions due to Global Warming (Severe Drought and Severe Flooding) resulting to a need to upgrade and keep in good condition the storm water system.</p> <p><u>Sanitation</u> Reticulation, pump stations, and wastewater treatment works infrastructure aging and need renewal. Some reticulation and wastewater treatment infrastructure is overcapacity, and needs upgrading.</p>	<p>Priority 1 - Carry out a condition assessment of the roads and Storm-water infrastructure to determine the current condition and extent of the existing infrastructure.</p> <p>Priority 2 - Carry out prioritization of projects in order to maximize the available funding</p> <p>Priority 3 - Ensure main roads are of a good standard and provide a high level of service to attract investment (Rehabilitation of Settlers Way).</p> <p>Priority 4 - Expand on the roads and stormwater rehabilitation initiatives to improve the overall network.</p> <p><u>Sanitation</u> Priority 1 - Carry out a condition assessment of the Network and Treatment Works infrastructure to determine the current condition and extent of the existing infrastructure.</p> <p>Priority 2 - Carry out prioritization of projects in order to maximize the available funding</p>	<ol style="list-style-type: none"> <li>1. Tender for PMS contract is at Bid Evaluation stage and the anticipated appointed will the start of the new financial year.</li> <li>2. The current budget and IDP is currently at a draft stage for the new financial year 22/23.</li> <li>3. Rehabilitation of 7,7 km settlers way road with the addition of 3rd lane in both directions is in progress and now at approximately 30% progress at end May 2022.</li> <li>4. Stormwater rehabilitation and jetting program is ongoing to improve the condition of existing infrastructure.</li> </ol>

T2.6.1

## 2.7 ANTI CORRUPTION AND FRAUD

### Fraud and Anti-Corruption Strategy

The City is committed to the fight of fraud and corruption without fear or favour, BCMM is committed to a clean and transparent administration. The year under review marks our second year having been amongst many organizations across the globe who actively participated in the international fraud awareness week. This is a milestone we take pride in, as it shows our commitment and efforts to fighting fraud and corruption. Fraud awareness campaigns are carried throughout the year, using different platforms such as the BCMM Facebook page, bulk sms, service desk and through visible fraud awareness posters in all municipal buildings.

We continue to receive tip offs through our whistle blowing platform which is hosted by an independent external service provider. The hotline number is a toll-free number with a call back facility which residents can use to request a call back in order to lodge their reports. The (0800668413, call back 30916) hotline is a toll-free number operated 24 hours a day, seven days a week and 365 days a year.

This has been an effective and active platform, tip-offs are dealt with as and when received and investigation and resolution depends on the nature and complexity of the matter reported. We had received several reports through this platform which range from alleged financial misconduct, electricity theft and tampering to allegations corruption. Cases are dealt with as soon as they are received, some are investigated and resolved internally and where there is no capacity internally, capacity is sourced externally, for example, the revenue protection unit work tirelessly to follow up on reports of electricity theft and tampering. The City has also established a disciplinary Board which has a responsibility of following up on financial misconduct related cases and advise Council accordingly. 2.7.1

## 2.8 SUPPLY CHAIN MANAGEMENT

### OVERVIEW OF SUPPLY CHAIN MANAGEMENT

BCMM SCM system is premised on Section 217 of the South African Constitution which must be, fair equitable, transparent, competitive and cost effective. The BCMM SCM Policy is reviewed annually as prescribed by Section 3 of the MFMA and during the year under review the SCM policy was reviewed and approved by Council in March 2022.

There are five sections with the SCM department which are constituted in line with the SCM system and these comprises of:

- a. Demand Management and Supplier Development Section
- b. Acquisitions Section (Buying and contracts)
- c. Logistics, Warehouse and Disposal Sections
- d. Risk and Compliance Management Section and
- e. Contracts Performance Management Section

In BCMM, the SCM system uses quotation and open bid procurement processes to source goods and services required for service delivery by the municipality. A total value, for quotations and tenders, of R25 010 260,59 in the 2021/2022 financial year and R1,701,556,945.66 respectively, in the 2021/2022 FY has been awarded.

STATISTICS OF QUOTATIONS AWARDED IN 2021/2022 FINANCIAL YEAR				
MONTH	R 0 - R2,000	R2,001- R10,000	R10,001 - R30,000	TOTAL
Jul-21	R8 302,00	R62 840,52	R346 687,27	R417 829,79
Aug-21	R48 129,30	R185 690,40	R1 965 685,20	R2 199 504,90
Sep-21	R83 320,18	R537 602,81	R2 722 391,11	R3 343 314,10
Oct-21	R38 473,79	R266 764,78	R1 619 583,79	R1 924 822,36
Nov-21	R41 735,21	R284 193,09	R1 711 144,53	R 2 037 072,83
Dec-21	R54 003,52	R413 572,43	R2 457 724,93	R2 925 300,88
Jan-22	R51 602,86	R377 370,14	R2 122 109,88	R2 551 082,88



STATISTICS OF QUOTATIONS AWARDED IN 2021/2022 FINANCIAL YEAR				
MONTH	R 0 - R2,000	R2,001- R10,000	R10,001 - R30,000	TOTAL
Feb-22	R38 790,39	R356 882,68	R1 868 534,43	R2 264 207,50
Mar-22	R39 054,87	R311 346,41	R1 102 497,75	R1 452 899,03
Apr-22	R13 408,97	R200 905,83	R1 012 769,07	R1 227 083,87
May-22	R13 928,78	R279 464,70	R1 477 953,37	R1 771 346,85
Jun-22	34 522,93	R389 849,84	R2 471 467,83	R2 895 840,60
<b>TOTAL</b>	<b>R465 277,80</b>	<b>R3 666 483,63</b>	<b>R20 878 549,16</b>	<b>R25 010 260,59</b>

TENDERS AWARDED BY THE SUPPLY CHAIN MANAGEMENT SYSTEM IN 2021/2022					
	1 <sup>ST</sup> QUARTER	2 <sup>ND</sup> QUARTER	3 <sup>RD</sup> QUARTER	4 <sup>TH</sup> QUARTER	TOTAL
Informal Contracts	73	55	46	83	257
Formal Contracts	3	5	1	3	12
Annual Contracts	4	1	1	4	10
<b>TOTAL</b>	<b>80</b>	<b>61</b>	<b>48</b>	<b>90</b>	<b>279</b>

- March 2022 had to ensure that it complies with the recent Constitutional court ruling on procurement regulations 2017, which were found to be unconstitutional.
- The implementation of the E-Procurement System to improve procurement of goods and services on three quotation system (R0 - R30,000 threshold), has seen an increased number of transactions by end user departments, as indication that the e-procurement system is full utilization and operational. The rollout of the contracts management module has started and go live and full implementation will take place in the new financial year due to unexpected delays in the rollout of the project.

### Challenges at Supply Chain Management Department

- a. Staff challenges of which there is a process underway of the job grading for positions, and the filling of critical managerial vacancies on a permanent basis.
- b. A permanent appointment has been made in the position of General manager with effect from 01 June 2021.
- c. Capacity issues including the inclination of the traditional way of procurement versus the evolving strategic.
- d. procurement thus impacting in driving service delivery and the turnaround with the Supply Chain Management environment.
- e. The introduction and the implementation of the City Infrastructure Delivery Management System (CIDMS) will see the process of streamlining the cities' business processes within other directorates based on recommendations of best practice in optimizing service delivery.

### Remedial Actions

- a. Continuous monitoring and regularly reporting on the turn-around times for awards in order to improve service delivery.
- b. Implementation of an integrated electronic procurement system to improve, enhance supply chain management processes to better enable them in the entire value chain.
- c. Evaluation of jobs within the SCM environment.

#### T2.8.1

## 2.9 BY-LAWS

BY-LAWS INTRODUCED DURING YEAR 2021/2022					
NEWLY DEVELOPED	REVISED	PUBLIC PARTICIPATION CONDUCTED PRIOR TO ADOPTION OF BY-LAWS (YES/NO)	DATES OF PUBLIC PARTICIPATION	BY-LAWS GAZETTED* (YES/NO)	DATE OF PUBLICATION
Standing Rules of Council	Rules Committee and Council Revised the 2008 By-law	Public Participation was conducted in all the wards	March 2021	Not yet	Not yet

T 2.9.1

### COMMENT ON BY-LAWS

During the year under review Standing Rules of Council were developed and Rules Committee and Council by-laws were revised. Public Participation process was conducted in all wards in March 2021. All these by-laws are not yet gazetted and therefore not yet published. T2.9.1.1

### WEBSITE

MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL		
DOCUMENTS PUBLISHED ON THE MUNICIPALITY'S / ENTITY'S WEBSITE	YES / NO	PUBLISHING DATE
Current annual and adjustments budgets and all budget-related documents	Yes	02/09/2021 (1st Adjustment Budget) 04/03/2022(2nd Adjustment Budget) 06/06/2022(3rd Adjustment Budget)
All current budget-related policies	Yes	04/02/2021
The previous annual report (2020/2021)	Yes	02/06/2022
The annual report (2021/2022) published/to be published	Yes	April 2023
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2021/2022) and resulting scorecards	Yes	10/08/2021
All service delivery agreements (2021/2022)	Yes	10/08/2021
All long-term borrowing contracts (2021/2022)	No	No long term borrowing contracts for the year under review
All supply chain management contracts above a prescribed value (give value) for 2021/2022	No	No SCM Contracts above the prescribed value for the year under review
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	No list of assets over the value that has been disposed for the under review
Contracts agreed in 2021/2022 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	No issue with future budgetary implications

MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL		
DOCUMENTS PUBLISHED ON THE MUNICIPALITY'S / ENTITY'S WEBSITE	YES / NO	PUBLISHING DATE
Public-private partnership agreements referred to in section 120 made in 2021/2022	No	There were no PPP agreements during the year under review
All quarterly reports tabled in the council in terms of section 52 (d) during 2021/2022	Yes	Q4 – (2020/2021) – 2021/07/29 Q1- (2021/2022) – 2022/01/27 Q2- (2021/2022) – 2022/01/27 Q3 – (2021/2022) – 2022/05/03

T 2.10.1

### COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

Section 34 of the South African Local Government Municipal Systems Act 32 of 2000 makes provision that

*“a municipal council -*

(a) must review its integrated development plan - annually in accordance with an assessment of its performance measurements in terms of section 4, and to the extent that changing circumstances so demand; and

(b) may amend its integrated development plan in accordance with a prescribed process.

- In compliance to the above legislative prescript, the City conducted its Budget & IDP Processes.
- The IDP will help the local municipality focus on the most important needs of local communities taking into account the resources available at the local sphere. Efficient Integrated Development Planning makes provision for social and economic development of an entire area within the municipality. The IDP, as such, provides the overall framework for land use management, infrastructure development, and protection of the environment.
- Public participation is the process by which public concerns, needs and values are integrated into governmental and corporate decision making. The Integrated Development Plan is an example of local government instruments which seek public participation in order to address community needs through service delivery.

### PUBLIC CONSULTATIONS

In developing its Integrated Development Plan, the City takes its tune from residents and the broader public of the Metro who participate in a number of public consultation processes and programmes such as the annual Mayoral Imbizo and IDP/Budget Roadshow. It is through these engagements that residents are able to define and shape their needs and priorities which must be taken into consideration during planning and budgeting. BCMM aims to address identified needs and priorities through the Integrated Development Plan and Budget as revised annually. The events dates were:

- Virtual IDP/Budget Roadshows - 11 to 14 April 2022
- Virtual IDP/Budget Youth Round table - 3 to 10 May 2022
- Virtual IDP/Budget Business Round table - 3 to 10 May 2022

## COMMUNICATIONS OBJECTIVES

The City's communication objectives are as follows:

- To bring awareness about Integrated Development Plan and Budget
- To provide a platform of engagement between BCM leadership and the public in relation to the Integrated Development Plan and Budget
- To assume a proactive role in communicating with both the internal and external stakeholders.
- To inform key identified stakeholders about the Integrated Development Plan and Budget programme and its objective.

## KEY MESSAGES

A City Hard at Work

## COMMUNICATIONS KEY MESSENGERS

- The Buffalo City Metro Executive Mayor
- The Buffalo City Metro Deputy Executive Mayor
- Troika
- City Manager

*Secondary Messengers*

- Spokespersons
- Councillors

## THEME

The themes is: *A City hard at work*

## KEY STAKEHOLDERS

### Internal

- BCMM Councillors
- Employees
- Unions

### External

- Residents of the Metro
- Community Based Organisations
- Industry and business
- Schools and tertiary education institutions
- National, Provincial and District government (IGR)
- Civil society (NGO's, CBO's, FBO's)
- Media

## CHALLENGES

- Covid 19 restrictions
- Environmental scanning (Political and socio-economic factors)
- Hostile media
- Limited time frames
- Budget

## COMMUNICATION PLATFORMS

PLATFORM	ROLE
Facebook	Facebook is the core engagement channel with the largest targeted reach.
Website	The primary owned branch space and our central traffic destination. All brand content and utility will be housed on the site acting as the core content hub.
Coverage and Branding	To generate awareness for the launch.
Digital Adverts	To generate awareness for the launch, campaign work and tactical promotion.
Radio	Use radio to engage residents to participate, and to be part of the celebration.
Newspaper Coverage	Published articles on the Daily Dispatch and Rising Sun about the event extends audience reach beyond the event itself.

## ANNEXURE 1: WARD BASED MAPPING

## BCMM MEDIA WARD MAPPING - DRAFT INTERGRATED DEVELOPMENT PLAN AND BUDGET

REGION	WARDS	COMMUNITY RADIO	AUDIENCE	SOCIAL MEDIA	COMMERCIAL & ONLINE MEDIA	AUDIENCE
<b>Coastal</b>	1,2,3,4,5,6,7,8,9,10,13,15	Algoa	774,000	Facebook	KNR BCM TV	213,000
	16,18,19,27,28,29,46,47	Wildcoast	17,000	Twitter	Daily Dispatch	
	50	Mdantsane Kumkani	110,000 69,000	Website	Online Bay TV	
<b>Midland</b>	11,12,14,17,20,21,22,23,2	Mdantsane FM	110,000	Facebook	KNR BCM TV	
	4,26,30,42,48			Twitter Website	Daily Dispatch Online Bay TV	
<b>Inland</b>	25,34,35,36,38,39,40,41,4	Link FM	224,000	Facebook	TRU FM BCM TV	207,000
	3,44,45,49			Twitter Website	KNR Daily Dispatch Online Bay TV	
<b>Ncerha</b>	31,32,33	Izwi Lethemba		Facebook	KNR	
		Kumkani	69,000	Twitter Website	Daily Dispatch Online Bay TV BCM TV	

**MEDIA ADVISORY****RE: BUFFALO CITY METRO TO HOLD VIRTUAL IDP AND BUDGET ROADSHOWS****ATT: Assignment Editors and Reporters****05 May 2021**

The Buffalo City Metro will be engaging the public virtually to get inputs on its 2021/2022 financial year Integrated Development Plan (IDP) and Budget.

In previous years Metro residents gathered in community halls and stadiums to indicate to the City leadership what they wanted to see happening in their wards, and what they want included in the IDP.

But with a ban on gatherings of more than 50 people such meetings will no longer take place, and instead communities have been asked to make their submissions through community radio stations and online platforms.

The City is calling on people to fully engage with the leadership, which will be led by the Executive Mayor Councillor Xola Pakati and participate.

The community radio stations to be utilized are Keith Ngesi Online Radio, Mdantsane FM, Wildcoast FM, Kumkani FM, Izwi Lethemba FM and Link FM. Social media platforms to be used are the BCM Facebook page, Dispatch LIVE, Keith Ngesi Radio and the BCM Twitter page.

The WhatsApp line to be used is 076 014 7911. The email address to be used is [idp.budget@buffalocity.gov.za](mailto:idp.budget@buffalocity.gov.za).

The IDP & Budget Speech will also be made available on the Municipal Website at [www.buffalocity.gov.za](http://www.buffalocity.gov.za)

Dates and times for the roadshows are as follows:

RADIO STATION SCHEDULE			
REGION	RADIO STATIONS	DATES & TIMES	SOCIAL MEDIA PLATFORMS
Coastal	Wildcoast FM KNR Kumkani FM	8 May 11am	BCMM Facebook Page Disptch Live KRN Facebook Page
Midland	Mdantsane FM	9 May 12 noon	BCMM Facebook Page You Tube Streaming
Inland	Link FM	10 May 6pm	BCMM Facebook Page You Tube Streaming

**Issued by BCM Communications**

For enquiries: Contact Buffalo City Metro Spokesperson Samkelo Ngwenya

Cell: 0735574707

[samkelon@buffalocity.gov.za](mailto:samkelon@buffalocity.gov.za)



ADVERT

BUFFALO CITY METROPOLITAN MUNICIPALITY

**DRAFT** **IDP & BUDGET**

**ROADSHOWS 2021**

**LIVE**

**LOCAL COMMUNITY  
RADIO STATION & SOCIAL MEDIA**

**A CITY HARD AT WORK**

LIVE RADIO:

- MDANTSANE FM (89.5) **9 MAY 2021**
- KUMKANI FM (95.8) **8 MAY 2021**
- WILD Coast FM (98.6) **8 MAY 2021**
- LINK FM (91.7) **10 MAY 2021**

LIVE STREAMING:

- KNR
- BCM FACEBOOK PAGE



Please submit comments to our WhatsApp line on 076 0147 911

 **BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

EAST LONDON | BHISHO | KING WILLIAM'S TOWN | MDANTSANE  
W W W . B U F F A L O C I T Y M E T R O . G O V . Z A

BUFFALO CITY METROPOLITAN MUNICIPALITY  
CALL CENTRE 086 111 3017

## 2.11. PUBLIC SATISFACTION WITH MUNICIPAL SERVICES

### PUBLIC SATISFACTION LEVELS

As per the appropriate legislation mandating local authorities to undertake regular assessments of the satisfaction levels of the community served, BCMM embarked on a process of undertaking their first Customer Satisfaction Survey, since 2006, during the 2020/21 Financial Year, culminating in the production of a Customer Satisfaction Survey.

The purpose of a Customer Satisfaction Survey (CSS) is to assist in establishing the current state of development in Buffalo City Metropolitan Municipality, but it is only a component of the overall assessment of the state of development. It serves to record the perception of the residents within the municipal area, concerning a broad range of topics from the state of services in the area to a perception of the municipality itself and also, its Council.

As a Community Satisfaction Survey only reflects what residents think of the state of development in the municipality, it might not correlate to actual levels and nature of service delivery. The findings of this exercise will serve as a baseline to inform future planning.

In keeping with accepted national and international research standards and norms, this survey represented an extensive valid and reliable quantitative and qualitative research exercise, conducted by an independent service provider, to gauge the views of a representative sample of BCMM residents. In this respect, a sample size of 734 households participated in the one-week-long data collection process. One or two households were selected per street per ward. In the households where people were not available, such households were bypassed. In instances, where the data collectors knocked on the gate and the residents of that particular household were not willing to participate in the survey, such residents were not forced or coerced to participate, but instead, the next household was approached. One person was interviewed per household. The data collectors purposefully selected older people (above 18 years of age) based on the assumption that they had a better experience with the BCMM services.

The survey was anonymous, in that the participants were not required to identify themselves or the constituents they represent. The participants were assured that their responses will be treated with utmost confidentiality, meaning that their responses were not going to be linked to the respondent. It is, therefore, assumed that the survey findings are a true reflection of the BCMM, customers who provided objective and honest responses without fear of being disadvantaged or hope of being advantaged by the BCMM for their responses.

A questionnaire with predominately closed-ended questions was developed and administered through face-to-face interviews.

**NB: THERE WERE NO COMMUNITY SATISFACTION SURVEYS CONDUCTED DURING 2021/2022 FINANCIAL YEAR. T 2.11.1**

#### Satisfaction Surveys Undertaken During the Year 2020/2021

SUBJECT MATTER OF SURVEY: CUSTOMER SATISFACTION SURVEY	SURVEY METHOD: QUANTITATIVE RESEARCH DESIGN UTILISING STRUCTURED QUESTIONNAIRE, AND ANALYSIS DRAWN FROM DATA COLLECTED FROM SAMPLED AMOUNT OF HOUSEHOLDS, AND QUALITATIVE RESEARCH DESIGN IN OBTAINING VIEWS OF BCMM COUNCILLORS, AND OFFICIALS, THROUGH INDIVIDUAL AND FOCUS GROUP INTERVIEWS (THIS SURVEY METHOD APPLIES TO ALL THE ROWS BELOW)	SURVEY DATE: 2020/2021	NO. OF PEOPLE INCLUDED IN SURVEY: SAMPLE OF 734 HOUSEHOLDS	SURVEY RESULTS INDICATING SATISFACTION OR BETTER (%)*
Overall satisfaction with:				
(a) Municipality			734	23%

T 2.11.2

**NB: THERE WERE NO COMMUNITY SATISFACTION SURVEYS CONDUCTED DURING 2021/2022 FINANCIAL YEAR.**

### Summarised Average Satisfaction Levels Per Service 2020/21

SERVICES	AT LEAST SATISFIED	NEUTRAL	AT LEAST DISATISFIED
Infrastructure Services	33%	14%	53%
Refuse and Sanitation	29%	14%	57%
Electricity and Water	21%	16%	63%
Roads Services	34%	13%	53%
Drought and Disasters	11%	21%	68%
Municipal Parks, Playgrounds, Sports Fields and Stadiums	24%	32%	44%
Cemeteries	24%	34%	42%
Community Halls	30%	30%	40%
Libraries	25%	36%	39%
Traffic Services and Transport	33%	41%	26%
Law Enforcement	24%	35%	41%
Housing	25%	12%	63%
Building Plan and Land Use Applications	14%	59%	27%
Finance Services	9%	11%	80%
Municipal Workers	27%	35%	38%
Communication	11%	21%	68%
Local Economic Development	21%	30%	49%
<b>TOTAL</b>	<b>395%</b>	<b>484%</b>	<b>324%</b>
<b>AVERAGE DELEVERY SERVICE SATISFACTION</b>	<b>23%</b>	<b>27%</b>	<b>50%</b>

T2.11.2.1

**NB: THERE WERE NO COMMUNITY SATISFACTION SURVEYS CONDUCTED DURING 2021/2022 FINANCIAL YEAR.**

#### COMMENT ON CUSTOMER SATISFACTION LEVELS

- The average level of satisfaction for the financial year 2020/21 was 23%. There was a slight increase in the level of satisfaction with roads, traffic, and transport services, compared to the 2016/17 financial year. Electricity, water, and housing services experienced more than half a decline in satisfaction levels. Electricity, water, and housing are very volatile to demand elasticity. A slight increase in the size of the population creates a sharp increase in the demand for these essential services. However, this increase in demand does not correlate with the increase in the budget allocation of the Metro. As noted by the Executive Mayor, the BCMM is experiencing an influx of people coming from rural areas to the Metro in search of jobs, education, and business opportunities. This increases the demand for water, electricity, and housing services in the Metro.
- Even though the satisfaction level shows a 44% decline to the 2016/17 financial year, it must be noted that three financial years have passed since the previous CSS was done. The time of conducting a CSS is an important factor in the perception level of people. New settlements have been established since the previous CSS. The recency of events such as the outbreak of Covid-19 and its impact on the formation of new informal settlements, the poor performance of the economy, and the loss of jobs might have played a role in the negative perception of the residents. Covid 19 had an impact on the working conditions of many companies. Like many other companies, Metro staff members are working on a rotational basis, without the full staff complement in the office to provide services to the public. This contributes to the slow pace of service delivery and the frustration of residents.

T2.11.2.2

# CHAPTER 3

## SERVICE DELIVERY PERFORMANCE



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component A: Basic Services**

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

#### COMPONENT A: BASIC SERVICES INTRODUCTION TO BASIC SERVICES

##### Electricity

As mandated by the Electricity Regulation Act, 2006 (Act 4 of 2006), the Electricity and Energy Department must provide a reliable and well-maintained electrical network; in particular, the Act states:

2. The objects of this Act are to -
  - a. Achieve the efficient, effective, sustainable, and orderly development and operation of electricity supply infrastructure.
  - b. Facilitate investment in the electricity supply industry.
  - c. Facilitate universal access to electricity.
  - d. Promote the use of diverse energy sources and energy efficiency.

To achieve the objectives of the Act, BCMM must implement the following:

1. **Capital Projects** to upgrade, refurbish and replace the electrical network, thereby ensuring a safe and reliable electrical service.
2. **Universal Access RDP Dwellings:** BCMM continues to implement an electrification project to provide universal access to electricity to all.
3. **Universal Access Informal Dwellings:** Electrification of informal areas remains a priority in BCMM, the pace of electrification within informal areas.

**Note:** As a minimum, the program calls for a 20 amp service connection; BCMM provides an above minimum 40 amp service connections to all low-income dwellings within the BCMM area of supply (Within the urban edge).

##### Water and Sanitation Services

The municipality infrastructure is under stress due to the rapid growth in urban centres and massive new developments in peri-urban areas, which require a higher level of service. BCMM, as a Water Services Authority, dispensed water supply through internal capacity and assistance in the provision of bulk services for some areas by the Amatola water board. In recent years BCMM has moved faster in providing water and sanitation services in informal settlements and rural areas to increase access to basic services for all citizens of the city.

The metro's infrastructure investment is increasing yearly, and the expenditure shows the commitment to providing sustainable water services to our communities. Since 2015/16, more than R1 billion has been spent on water and sanitation infrastructure. In 2021/22 alone, the metro spent R206,942,802, which is less than the previous year's R281,311,113 replacing and installing new pipes, building new and maintaining existing reservoirs and pump stations, removal of alien vegetation, replacement of manholes and providing water services to customers in informal settlements and rural villages.

As the municipality continues to grow, large-scale investment in wastewater infrastructure is required to add capacity and keep up with the latest technology and treatment standards. The metro has invested close to R858,266,982 in wastewater treatment works and bulk infrastructure since 2015/16. The municipality recently spent over R220 million upgrading Reeston Wastewater Treatment Works in preparation for the diversion of Central Wastewater Treatment Works to unlock development opportunities in Amalinda, Wilsonia, Reeston and other adjacent areas. Similarly, the municipality will soon commission the newly upgraded Zwelitsha Wastewater Treatment Works to unlock development and growth opportunities in Qonce and surrounding areas.



In agreement with the metro's customer needs, the Metro invested R220,688,546 in various water meter replacement programmes, primarily ensuring that customers receive accurate readings. Regarding the bulk water supply network, R520,649,173 has been spent since 2015/16, including R63,521,083 in the financial year under review.

### **Solid Waste and Environmental Management Directorate**

The achievements attained by the Solid Waste Management Services in line with the IDP priorities of the 2021/2022 financial year are outlined below:

#### **Review of the IWMP**

- The City's Integrated Waste Management Plan has been reviewed through an intensive consultation process with various relevant stakeholders. The draft IWMP was adopted by the Council, and the document is currently awaiting Council approval, followed by approval by the MEC.

#### **Establishment of Buyback Centres**

- BCMM, in partnership with the Border Kei Chamber of Business (BKCOB) & Buffalo City Metropolitan Development Agency (BCMDA), established four buyback centres; two are already operational and are situated in Southernwood and the East London CBD.

#### **Public Employment Program (PEP)**

- Public Employment Programme has been successfully initiated in partnership with the BKCOB & BCMDA. The project includes street cleaning, gutter clearance and clearing illegal dumps in the City. Another component is the development of community-based models to provide waste management services in CBDs, tourist attraction areas, student villages and formal and informal residential areas. PEP has created temporary employment opportunities for 167 participants at the end of the 2021/2022 financial year.

#### **Expanded Public Works Programme (EPWP)**

- EPWP within the Directorate has created temporary employment opportunities for 349 people who contributed to improving solid waste management service operations such as street sweeping, gutter clearance, clearance of illegal dumps and participation in clean-up campaigns.

#### **Hazardous Waste Collection Pilot Project**

- BCMM was identified through a partnership with the National Department of Forestry, Fisheries and the Environment (DFFE) and the Swedish Environment Protection Agency (SEPA) to develop and implement the pilot project for sound management of household hazardous waste. The outcomes of the pilot project will provide input on the national policy development for managing household hazardous waste by DFFE.
- The City launched a pilot project to collect and manage hazardous waste generated at a household level. Such hazardous waste include used cell phones, batteries, light bulbs, obsolete pesticides and used oil.
- BCMM's Coastal Region was designated as a pilot site, with about 3,500 households in three different areas identified to participate in the pilot project. The criteria to identify the three pilot areas within the coastal region was based on income levels in these areas: low, medium and high-income households. Therefore, the identified pilot sites were Duncan Village, Amalinda and Beacon Bay, i.e. Wards 1, 16 and 28, respectively.
- The volumes of hazardous waste collected in the three areas have been increasing gradually, especially in the Amalinda and Beacon Bay pilot areas. The waste collection drive was coupled with awareness-raising campaigns in the designated areas before the launch and during the collection to encourage the collection rate.

#### **Registration of Waste Pickers Pilot Project**

- Implementation of the pilot project for the registration of Waste Pickers in preparation for the integration into the waste management system was undertaken in BCMM in May 2022. Phase two of the pilot project will be undertaken by National Treasury. The overall objectives of the pilot project were to deepen the knowledge of waste pickers and expose them to the registration process on the CSIR Website. A database of waste pickers who visit landfill sites has been developed.

T3.0.1.



## INTRODUCTION TO BASIC SERVICES

The municipality provides water services to all its consumers, with Amatola Water Board supplying bulk water services to some parts of the metro. The levels of service for water services are broken into two categories. Rural areas and households outside the urban edge are supplied with communal standpipes based on RDP standards. On the other hand, homes situated in formal settlements within the urban edge are provided with full pressurised water supply from erf connections.

The municipality provides free basic water of six kilolitres to rural areas and urban informal settlements and rebate for registered indigent consumers in formal urban areas. Approximately 99% of households have access to basic water supply levels, including those residing in informal settlements.

The sewerage infrastructure throughout the municipality is generally in a fair to poor condition. Some catchments are faced with inadequate conveyance and treatment capacity and ageing infrastructure, resulting in occasional spillages into the river systems and environment. Approximately 97% of households have access to basic sanitation services, with the backlog currently faced in rural areas and informal settlements in urban areas. Similarly, access to sanitation is divided into two categories: full waterborne services in urban and some peri-urban settlements and Ventilated Improved Pit-latrines (VIPs) provided in rural areas.

Reticulated wastewater in urban areas is serviced by a network of approximately 2,442 km, 97 sewerage pump stations, and 15 Wastewater Treatment Works. Due to the region's topology, there are several sewage pump stations and pipe bridges within the respective drainage regions, which place additional operation and maintenance challenges. Some areas are faced with high levels of infrastructure vandalism, illegal electricity connections, and cable theft.

### T 3.1.0

## 3.1 WATER PROVISION

### INTRODUCTION TO WATER PROVISION

The national Department of Water and Sanitation (DWS) is responsible for the availability, security, and sustainability of water services for municipalities. In committing to this constitutional mandate, the DWS has established the Amatola Water Supply System Reconciliation Strategy Steering Committee, which comprises all the Water Services Authorities (WSAs) that are supplied water from the Amatola Water Supply System. The municipality gets some of its bulk water from Amatola Water Board through an agreement between the City and the Waterboard. The Amatola Water System supplies water to 84% and 67% of East London and Mdantsane areas. The Keiskamma System and the stand-alone underground water supply schemes supply the remainder.

The Amatole Water Supply System (AWSS) supplies domestic, industrial, and agricultural water to BCMM and parts of Ngqushwa and Amahlati local municipalities, which form part of the Amathole District Municipality (ADM). The supply system comprises the following dams: Bridle Drift Dam, Gubu Dam, Laing Dam, Maden Dam, Nahoon Dam, Rooikrantz Dam and Wiggleswade Dam. The implementation of the Reconciliation Strategy is guided by the Strategy Steering Committee (SSC) comprising representatives of the Department of Water and Sanitation, BCMM, ADM, Amatola Water Board and other strategic partners. The municipality initiated an Effluent Reuse study that may provide an additional 20 Megalitres of treated wastewater effluent into the system.

During the last Blue Drop Certification audit (results published in 2014), BCMM received a score of 72%, which is less than what is required to get a certificate. This score does not mean that the City's water is below the standard in terms of quality. The quality of the water supplied to our consumers is above 95% compliance, and the municipality has achieved 98% water quality compliance with national standards (SANS 241) in the past four consecutive financial years.

The levels of service for water services are broken into two categories, with rural areas or households outside the urban edge and informal settlements supplied with communal standpipes based on the RDP standard of access to water within a 200 meter radius. Households within the urban edge are provided with full pressurised water supply with an erf connection.

The following were service delivery objectives for the period under review:

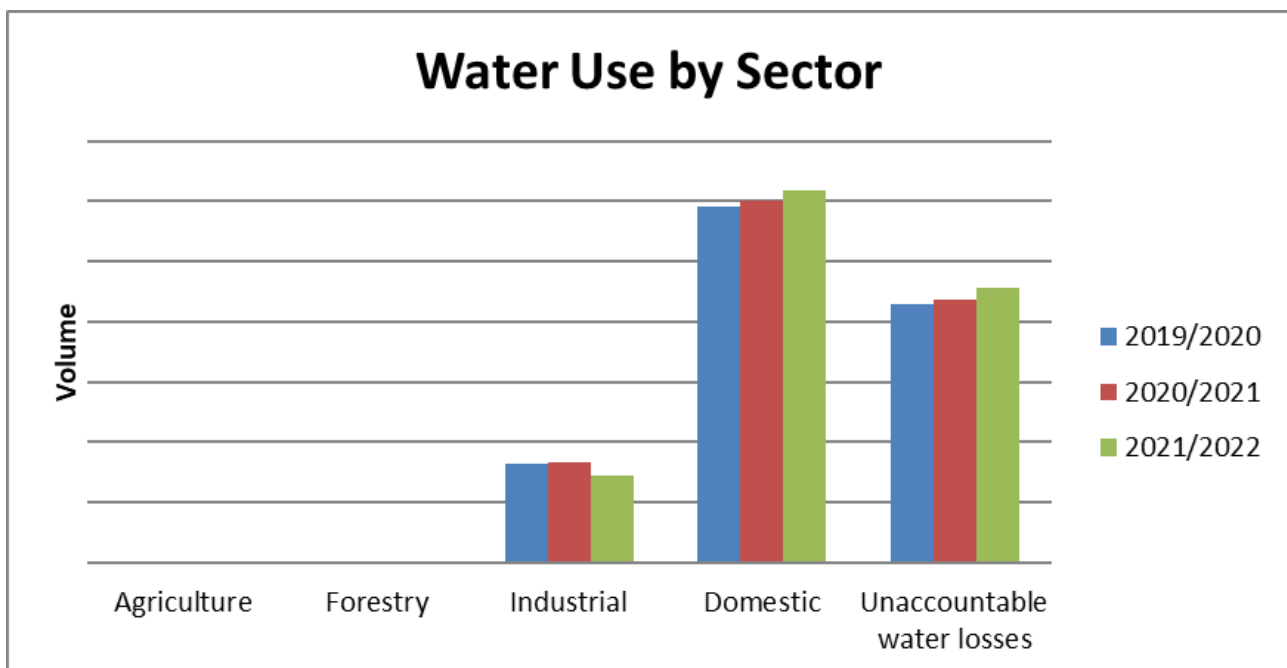
DESCRIPTION	BASELINE	TARGET	ACTUAL
% of households with access to basic level of water supply	98%	98%	99%
% compliance of water treatment works with SANS 241	≥98%	≥98%	98%
Reduction in non-revenue water	36%	35%	37,50%

The municipality prioritised water losses and non-revenue water by implementing pipe and water meter replacement programs. The City spent over R200 million in the last three financial years on pipe and meter replacement programmes and budgeted R24,100,000 million in the mid-term budget and expenditure framework to continue with the programme. The programme includes replacing old water meters and installing an advance remote smart meter reading system to reduce inaccuracies. Similarly, the municipality is upgrading its data acquisition and telemetry system to efficiently monitor water distribution and pumping systems remotely, thereby reducing water distribution losses.

The City also identified a few illegal water connections, particularly in the rural supply schemes to communities with infrastructure vandalism being a major challenge. The municipality installed water service points in informal settlements to ensure access to water services. Communities, together with the Ward Councillors, identify needs within informal settlements to which the municipality responds. Furthermore, 250 (five per ward) ward-based community members were employed to address leaks at standpipes and undertake repairs on indigent households beyond the water metre. The municipality operates a 24-hour call centre daily, where service disruptions and complaints can be registered. Furthermore, complaints can be logged during office hours at the help desks of the various service centres.

### T 3.1.1

TOTAL USE OF WATER BY SECTOR (CUBIC METERS)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2019/20	0	0	8,177,730	29,555,195	21,513,206
2020/21	0	0	8,322,397	30,016,670	21,818,438
2021/22	0	0	7,172,913	30,879,791	22,824,584
T 3.1.2					



### T.3.1.2.1.

## COMMENT ON WATER USE BY SECTOR

The Reconciliation Strategy determines the health of the Amatola Water Supply system yield and predicts the period in which the demand will surpass the available supplies. The municipality will need to augment its water resources by 2027 and implement an effective water demand management to ensure that the system is optimised. Currently, the system is adequate to meet high growth projections until the said period. The metro has reliably provided water services to communities. The total volume supplied in the 2021/2022 financial year has increased by 710,783 kilolitres, as opposed to an increase of 911,374 kilolitres in the previous year.

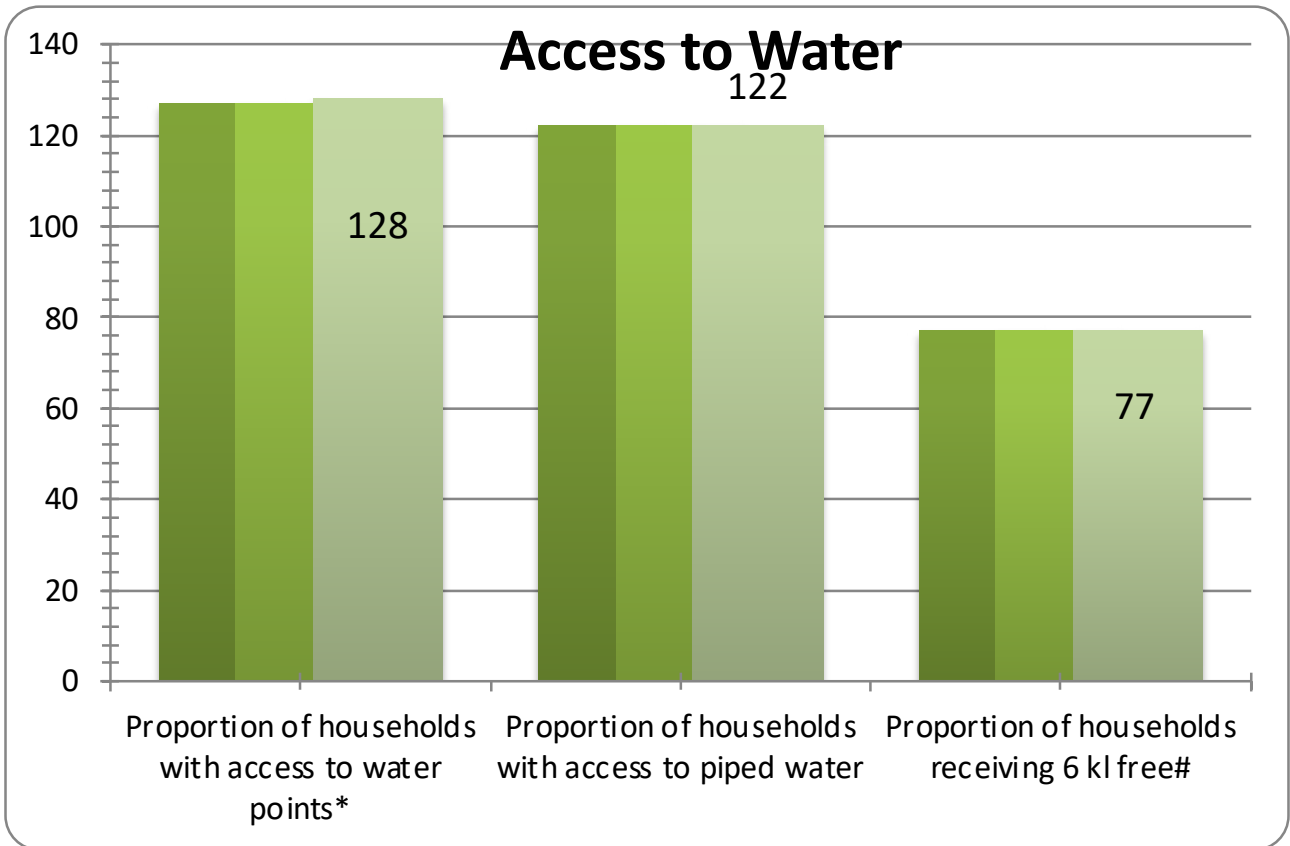
There are about 850 rural non-residential consumer units (i.e. schools, clinics, police stations sports facilities) in the metro. These often have rudimentary standalone water supplies and generally have basic onsite dry sanitation facilities, which are not serviced by the municipality. No significant growth in the number of public institutions and dry industries are anticipated in short to medium term, although proposed and planned developments have been submitted for approval by the City.

### T 3.1.2.2

WATER SERVICE DELIVERY LEVELS (HOUSEHOLDS) (NO. 000)				
DESCRIPTION	2018/19	2019/20	2020/21	2021/22
	ACTUAL	ACTUAL	ACTUAL	ACTUAL
<b><u>Water: (above min level)</u></b>				
Piped water inside dwelling	122	122	122	122
Piped water inside yard (but not in dwelling)	-	-	-	-
Using public tap (within 200m from dwelling)	126	126	126	128
Other water supply (within 200m)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	248	248	248	250
<i>Minimum Service Level and Above Percentage</i>	98%	98%	98%	99%
<b><u>Water: (below min level)</u></b>				
Using public tap (more than 200m from dwelling)	-	-	-	-
Other water supply (more than 200m from dwelling)	-	-	-	-
No water supply	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	5	5	5	3
<i>Below Minimum Service Level Percentage</i>	2%	2%	2%	1%
<b>Total number of households*</b>	<b>253</b>	<b>253</b>	<b>253</b>	<b>253</b>
* - To include informal settlements			T 3.1.3	

HOUSEHOLDS - WATER SERVICE DELIVERY LEVELS BELOW THE MINIMUM (HOUSEHOLDS)						
DESCRIPTION	2018/19	2019/20	2020/21	2021/22		
	ACTUAL	ACTUAL	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL
<b>Formal Settlements</b>						
Total households	122	122	122	122	122	122
Households below minimum service level	-	-	-	-	-	-
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
<b>Informal Settlements</b>						
Total households	126	126	126	128	128	128

HOUSEHOLDS - WATER SERVICE DELIVERY LEVELS BELOW THE MINIMUM (HOUSEHOLDS)						
DESCRIPTION	2018/19	2019/20	2020/21	2021/22		
	ACTUAL	ACTUAL	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL
Households below minimum service level	5	5	5	3	3	3
Proportion of households below minimum service level	4%	4%	4%	2%	2%	2%
T 3.1.4						



*Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute # 6,000 litres of potable water provided per formal connection per month*

T3.1.5

		WATER SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
		2020/21		2021/22		2022/23		2023/24			
SERVICE OBJECTIVES	OUTLINE SERVICE TARGETS	TARGET		TARGET		TARGET		TARGET			
		*PREVIOUS YEAR (III)	ACTUAL (IV)	*PREVIOUS YEAR (V)	*CURRENT YEAR (VI)	ACTUAL (VII)	*CURRENT YEAR (VIII)	*CURRENT YEAR (IX)	*FOLLOWING YEAR (X)		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)		
Service Objective											
To ensure water supply systems in BCMM are compliant with Blue Drop Certification	Additional Households provided with minimum water supply during the year (Number of households (HHs) without supply at year end)	517 additional HHs, (6,455 HHs outstanding)	578 additional HHs, (5,877 HHs outstanding)	578 additional HHs, (5,877 HHs outstanding)	500 additional HHs, (5,377 HHs outstanding)	2,947 additional HHs, (2,430 HHs outstanding)	350 additional HHs (2,080 HHs outstanding)	500 additional HHs (1,580 HHs outstanding)	500 additional HHs (1,080 HHs outstanding)		
To ensure universal access to potable BCMM	Reduce the number of interruptions (ints) in supply of one hour or more compared to the baseline of Year -1 (xxx interruptions of one hour or more during the yr)	4 Ints	4 Ints	4 Ints	Less than 12 Ints	4 Ints	Less than 4 Ints	Less than 4 Ints	Less than 4 Ints		
To ensure effective conservation and demand management of water resources in BCMM	Reduce unaccountable water levels compared to the baseline of Year -1 (xxx kilolitres (KLs) unaccounted for during the yr)	T5% (800 000 KLs)	36.27% (1486425 KLs)	36.27% (1486425 KLs)	35% (800 000 KLs)	37.50% (1486425 KLs)	35% (800 000 KLs)	35% (800 000 KLs)	30% (800 000 KLs)		
										T 3.1.6	

EMPLOYEES: WATER SERVICES					
JOB LEVEL	YEAR 2020/2021		YEAR 2021/2022		
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULL-TIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
0 – 3	134	17	13	4	23.5%
4 – 6	42	177	169	7	3.9%
7 – 9	39	43	40	3	6.9%
10 – 12	67	72	67	5	6.9%
13 – 15	12	10	8	2	20.0%
16 – 18	4	7	7	0	0%
19 – 20	0	0	0	0	0%
<b>Total</b>	<b>298</b>	<b>325</b>	<b>304</b>	<b>21</b>	<b>6.5%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.  
 \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.1.7

FINANCIAL PERFORMANCE 2021/2022: WATER SERVICES R'000					
DETAILS	2020/2021	2021/2022			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
<b>Total Operational Revenue</b>	<b>1 393 536</b>	<b>989 451</b>	<b>989 451</b>	<b>1 448 719</b>	32%
Expenditure:					
Employees	148 781	150 490	153 953	153 953	2%
Repairs and Maintenance	35 550	39 967	44 459	44 426	10%
Other	1 023 922	534 932	1 124 502	1 024 784	48%
<b>Total Operational Expenditure</b>	<b>1 208 253</b>	<b>725 390</b>	<b>1 322 914</b>	<b>1 223 162</b>	41%
<b>Net Operational Expenditure</b>	<b>(185 283)</b>	<b>(264 061)</b>	<b>333 464</b>	<b>(225 557)</b>	-17%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.1.8

CAPITAL EXPENDITURE 2021/2022: WATER SERVICES R' 000					
CAPITAL PROJECTS	2021/2022				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
<b>Total All</b>	<b>125 573</b>	<b>119 998</b>	<b>117 658</b>	<b>-7%</b>	
KWT & BHISHO INFRASTRUCTURE	30 030	2 479	2 459	-1121%	2 479
UPGRADE WATER NETWORKS	7 155	8 031	8 031	11%	8 031
WATER BACKLOGS	22 000	21 144	21 144	-4%	21 144
PIPE AND WATER METER REPLACEMENT IN BISHO, KWT & DIMBAZA	12 300	11 633	10 955	-12%	11 633

CAPITAL EXPENDITURE 2021/2022: WATER SERVICES R' 000					
CAPITAL PROJECTS	2021/2022				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
PIPE AND WATER METER REPLACEMENT IN EL	5 000	4 846	4 825	-4%	4 846
PIPE AND WATER METER REPLACEMENT IN MDANTSANE	6 800	6 800	6 691	-2%	6 800
DISTRIBUTION-AMAHLEKE WATER SUPPLY	4 500	25	-	0%	25
DISTRIBUTION-AMAHLEKE WATER SUPPLY	-	5 065	5 037	100%	5 065
ALTERNATIVE WATER SUPPLY	1 000	1 204	1 204	17%	1 204
RESERVOIRS EAST COAST SUPPLY	4 000	2 873	2 873	-39%	2 873
UMZONYANA DAM AND EAST COAST WATER SUPPLY UPGRADE	15 000	21 216	21 216	29%	21 216
W/DEMAND MANGM - WATER CONSERV - PRV STA	4 788	15 547	15 547	69%	15 547
INFORMAL SETTLEMENTS	13 000	19 134	17 675	26%	19 134
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.1.9

### COMMENT ON WATER SERVICES PERFORMANCE OVERALL

Water Supply Services performance targets and achievements for the 2021/2022 Service Delivery Budget Implementation Plan (SDBIP) are as follows:

DESCRIPTION	BASELINE	TARGET	ACTUAL ACHIEVEMENT
% of households With access to basic Level of water supply	98%	98%	99%
% compliance of Water treatment works With SANS 241	≥98%	≥98%	98%

Households receiving a basic level of water supply services have increased from 98% (248,607 h/h) to 99% (250,530 h/h) which is 0.8% or 1,923 households in the year under review. Compliance of water treatment works with national water quality standards (SANS 241) is within the 98% target as set in the financial year under review.

Four largest capital programmes or projects implemented in 2021/2022.

DESCRIPTION	DETAILS
Augmentation of Water Treatment capacity	Refurbishment/upgrading of Umzonyana Filtration system, Design of the Electrical & Mechanical Upgrade of Mdantsane Pump station & Filter MCC
Bulk Water Supply to Coastal areas)	Construction of bulk water supply to eradicate backlogs and augment water supply to coastal Areas.
Amahleke water Supply	Design and construction of Mngqesha village Reticulation and extensions.
Bulk Water Provision - Replacement of existing infrastructure	Replacement of aging infrastructure to reduce bursts and installation of water meters (bulk & domestic) to reduce water losses.

To address the issues of water treatment works compliance, ageing infrastructure, housing delivery and economic development the municipality has initiated a few projects, namely, augmentation of treatment capacity, Amahleke water supply, Newlands water supply, and bulk water supply to coastal areas.



To address water shortages in our newly inherited areas Investigation, Design & Provision of Bulk Water Infrastructure to East Coast Areas Ward 50 - Kwelera Villages and Wards 35 & 38 are underway.

The current Mid-Term Revenue and Expenditure Framework (MTREF) has a budget allocation as set out below.

FINANCIAL YEAR	BUDGET
2021 - 2022	R125,573,410
2022 - 2023	R160,980,485
2023 - 2024	R276,205,315
<b>TOTAL</b>	<b>R562,759,210</b>

Water backlogs account for about 1% of the total municipal population. A budget of R328 million is required to eradicate water backlogs within the City. The constrained budget allocation for the operation and maintenance of water services results in frequent water supply breakdowns in the system; however, efforts are being made to address this challenge.

Targets are set based on the approved budget, hence targets set on the IDP will be achieved within the approved budget. Should there be any variance, budget adjustment is done through the mid-year budget adjustment process.

### *T 3.1.10*

## **3.2. WASTEWATER (SANITATION) PROVISION**

### **INTRODUCTION TO SANITATION PROVISION**

The City provides sanitation services to all its urban, peri-urban, and rural households. It maintains a waterborne system as a minimum level of sanitation services to urban and peri-urban areas, either through a reticulation system or through septic/conservancy tanks as on-site sanitation in some areas that are not yet reticulated.

Currently, the reticulated wastewater network is served by 15 wastewater treatment works, which include five Activated Sludge Systems, five Biological Trickling Filter Systems, four Ponds Systems, and a Marine Discharge System in Hood Point in the West Bank area. The municipality has a reticulation network of various pipe sizes, a total of approximately 2,442 km, with 97 sewerage pump stations and rising mains in some areas.

The sewerage infrastructure throughout the City is generally in a fair to poor condition, with some catchments faced with inadequate conveyance and treatment capacity and ageing infrastructure. Some wastewater treatment works have yet to receive major refurbishments in the last 20 years, with mechanical and electrical equipment deteriorating to critical levels in some treatment works like Mdantsane, Potsdam, Berlin, and Central Wastewater Treatment Works.

Despite these challenges, the City made significant investments in wastewater infrastructure through a programme of regionalization of wastewater treatment. Reeston Wastewater Treatment Works has recently been upgraded from a two-megalitre treatment capacity to a ten megalitre capacity. This was done to allow for the diversion of Central Wastewater Treatment Works to Reeston, as the municipality no longer approved the development in the Central catchment areas due to overloading of the treatment works. Approximately R220 million has been spent in the last five years upgrading Reeston Wastewater Treatment Works.

Similarly, the City spent approximately R450 million thus far in upgrading the Zwelitsha Wastewater Treatment Works to a regional wastewater treatment works. This allows for decommissioning of Schornville Wastewater Treatment Works, Bhisho, and Breidbach Ponds. Completing upgrades in Zwelitsha treatment works will allow the municipality to approve development in Qonce and surrounding areas facing a development moratorium due to inadequate bulk sewerage treatment infrastructure.

The City is upgrading the Hood Point Marine Discharge Screening Station to allow for more treatment capacity to develop the West Bank area. The municipality has also awarded environmental authorisation to construct a deep-sea marine outfall sewer of approximately 1.4km in Hood Point at an estimated construction cost of R450. Similarly, the growing development in coastal areas, like Kidds Beach, has forced the municipality to review existing masterplans for these coastal areas as existing treatment technologies are not suitably designed for current high growth rates. The City is also reviewing policies and guidelines to try and regulate the uncontrolled proliferation of septic/conservancy tanks in some rural and peri-urban areas around the main urban centres.

The City is also faced with high infrastructure vandalism, illegal electricity connections, and cable theft in some areas. These challenges result in occasional spillages into the environment, with some prolonged spillages due to repeated vandalism and illegal electricity connections in other areas.

The proliferation of densely populated informal settlements in the urban areas located over wastewater sewers poses challenges in depositing foreign objects into the system, illegal sewer connections, frequent blockages, and inability of our maintenance teams to conduct repairs and maintenance effectively. The City plans to improve housing delivery in places like Duncan Village, Nompumelelo, and surrounding areas, which is expected to relieve sewage overflows.

The City developed a programme to provide waterborne ablution facilities in informal settlements since 2010. Ablution facilities are delivered at a rate of approximately 100 toilet seats per annum. This translates to the provision of roughly 1,000 households with access to sanitation services each year. This is based on the accepted empirical standard of each toilet seat providing access to at least ten households in informal settlements. Most of these communal ablutions are supplied with a Caretaker responsible for the day-to-day maintenance of these ablutions. To date, the municipality provided employment opportunities to 520 Caretakers from communities where the ablutions are located. Caretakers are appointed under the Expanded Public Works Programme (EPWP) guidelines and principles, requiring these appointments to be maintained for a maximum of two years.

However, the success of the programme to provide ablution facilities in informal settlements is threatened by high levels of vandalism and illegal water connections that result in the water supply not reaching the ablution facilities, with associated blockages and dysfunctional conditions of some as a consequence. Similarly, some communities illegally connect sewers, resulting in unnecessary blockages and sewage overflows within communities.

The municipal minimum standard for sanitation services in rural areas is the provision of Ventilated Improved Pit-latrines (VIPs). The municipality has provided approximately 59,255 VIPs since 2005. However, there is still a considerable number of households in rural areas without adequate sanitation services. The City currently delivers about 1,500 – 3,000 VIPs each year, depending on budget allocation; it is estimated that this backlog will be eradicated in the next 3-5 years.

However, the City is also faced with the growing need to empty existing VIPs, particularly those over ten years, as these are full or close to filling up in most communities. Faced with budgetary constraints, the municipality is currently unable to catch-up with this growing backlog; however, consideration is given to restructuring of budget in short to mid-term period to address this challenge head-on.

Currently, approximately 97% of households have access to basic sanitation services, with the 3% backlog faced mainly in rural areas and informal settlements in urban areas. The following are some of the main sanitation infrastructure provisions currently underway:

DESCRIPTION	DETAILS
Upgrading of Zwelitsha Wastewater Treatment Works	Upgrading of Zwelitsha Wastewater Treatment Works to allow for decommission of Schornville, Bhisho, and Breidbach treatment works and diversion of flows to Zwelitsha.
Diversion of Sewage from Central WWTW to Reeston WWTW	Diversion of Central WWTW to Reeston WWTW, through construction of a 5 km long x 3 m diameter Sewer Tunnel. The works includes construction of a 400 m Tunnel Approach Section, 4.5 km Sewer Tunnel, Central Tunnel Shaft, and Tunnel Exit
Sanitation Backlog Eradication	Provision of VIPs to eliminate rural sanitation backlogs and provision of Ablution Facilities in Informal Settlements.

The municipality has made the following mid-term budget allocation to address the Integrated Development Plan (IDP) targets, and bulk sanitation infrastructure challenges set out above:

FINANCIAL YEAR	BUDGET
2022 - 2023	R447,524,000
2023 - 2024	R344,405,000
2024 - 2025	R83,278,348
<b>Total</b>	<b>R875,207,348</b>

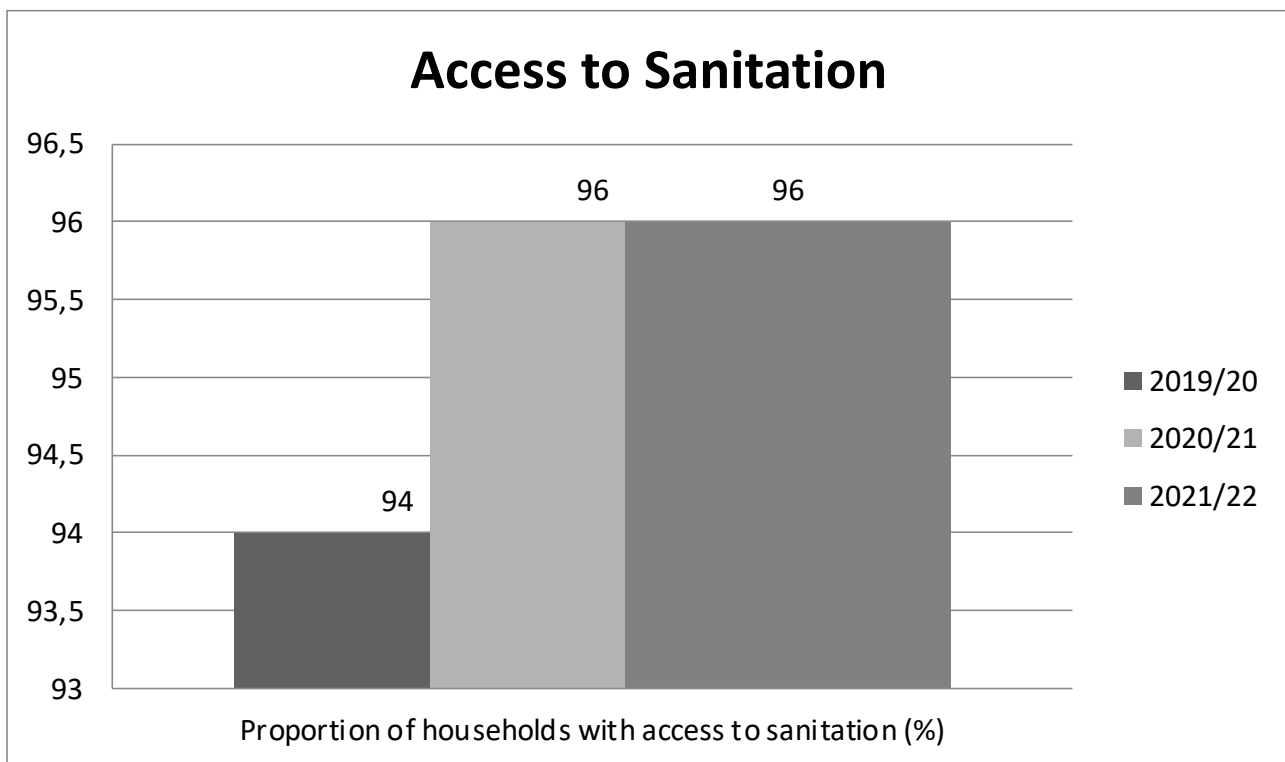
In its Service Delivery and Budget Implementation Plan the municipality set the following as its performance target in sanitation services for the year under review:

DESCRIPTION	TARGET	ACTUAL
% Compliance with wastewater treatment works effluent quality standards	>75%	76%
No households provided with access to basic level of sanitation service	2,730	2,510
Additional Service Points (Toilets) installed in informal settlements	99	97

The municipality received two Green Drop Certifications for two of its wastewater treatment works during the assessments conducted in 2013 by the national Department of Water and Sanitation. The municipality was rated as the best performing municipality in the Eastern Cape at the time. The Department of Water and Sanitation has revived the Green Drop Certification system, with Buffalo City Metropolitan Municipality assessments conducted in September 2021. While the municipality regressed in the last Green Drop assessments, as there were no Green Drop Certification for any of the 15 wastewater treatment works, with an average Green Drop Score of 61% for all its wastewater treatment systems, the municipality maintained its rating of first position in the Eastern Cape.

### T 3.2.1

#### Sanitation/Sewerage (above minimum level): 2020/2021



### T3.2.2.

DESCRIPTION	2018/19	2019/20	2020/21	2021/22
	OUTCOME	OUTCOME	OUTCOME	ACTUAL
<b><u>Sanitation/sewerage: (above minimum level)</u></b>				
Flush toilet (connected to sewerage)	176	166	166	166
Flush toilet (with septic tank)	5	5	5	5
Chemical toilet	4	4	4	4
Pit toilet (ventilated)	43	47	50	53
Other toilet provisions (unventilated pit toilets)	5	16	16	16
<i>Minimum Service Level and Above sub-total</i>	232	238	243	245
<i>Minimum Service Level and Above Percentage</i>	91,7%	94,0%	95,8%	96,6%
<b><u>Sanitation/sewerage: (below minimum level)</u></b>				
Bucket toilet	-	-	-	-

Other toilet provisions (below min.service level)	–	15	15	9
No toilet provisions	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	21	15	11	9
<i>Below Minimum Service Level Percentage</i>	8,3%	6,0%	4,2%	3,4%
<b>Total households</b>	<b>253</b>	<b>253</b>	<b>253</b>	<b>253</b>
<b>*Total number of households including informal settlements</b>				<i>T 3.2.3</i>

HOUSEHOLDS - SANITATION SERVICE DELIVERY LEVELS BELOW THE MINIMUM: HOUSEHOLDS (000)						
DESCRIPTION	2018/19	2019/20	2020/21	2021/22		
	ACTUAL	ACTUAL	ACTUAL	ORIGINAL BUDGET	AD-JUSTED BUDGET	ACTUAL
<b>Formal Settlements</b>						
Total households	232	235	235	243	243	245
Households below minimum service level	21	18	18	11	11	9
Proportion of households below minimum service level	0%	0%	0%	96%	96%	96%
<b>Informal Settlements</b>						
Total households	253	253	253	253	253	253
Households below minimum service level	35	30	30	11	11	9
Proportion of households below minimum service level	14%	12%	12%	4%	4%	4%
<i>T 3.2.4</i>						

### Access to Sanitation

ACCESS TO SANITATION	
PROPORTION OF HOUSEHOLDS WITH ACCESS TO SANITATION (%)	
2019/20	94
2020/21	96
2021/22	96

T3.2.5

WASTEWATER (SANITATION) SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24	
		Target	Actual	Target	Actual	Target	Target	Target	Target
Service Indicators		*Previous Year		*Pre-vious Year	*Cur-vent Year		*Current Year	*Current Year	*Fol-lowing Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
Flush Toilets		165,708	166,308	165,708	166,576	166,585	166,853	166,853	167,121
Rural VIP Latrines		57,415	66,799	57,415	68,539	68,339	69,789	69,789	71,289
Informal Settlement HH's serviced		6,120	6,240	6,120	7,230	7,210	8,400	8,400	9,600
<i>T 3.2.6</i>									

EMPLOYEES: SANITATION SERVICES					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	234	120	107	13	10.8%
4 - 6	23	159	134	25	15.7%
7 - 9	56	58	49	9	15.5%
10 - 12	21	31	25	6	19.3%
13 - 15	11	9	9	0	0%
16 - 18	0	3	3	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>345</b>	<b>380</b>	<b>327</b>	<b>53</b>	<b>13.9%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.2.7

FINANCIAL PERFORMANCE 2021/2022: SANITATION SERVICES R'000					
Details	2020/2021	2021/2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>714 577</b>	<b>573 392</b>	<b>577 885</b>	<b>601 148</b>	<b>5%</b>
Expenditure:					
Employees	135 396	141 637	139 332	139 105	-2%
Repairs and Maintenance	40 935	35 664	37 613	37 397	5%
Other	233 938	174 723	251 653	319 962	45%
<b>Total Operational Expenditure</b>	<b>410 269</b>	<b>352 025</b>	<b>428 598</b>	<b>496 463</b>	<b>29%</b>
<b>Net Operational Expenditure</b>	<b>(304 308)</b>	<b>(221 368)</b>	<b>(149 286)</b>	<b>(104 685)</b>	<b>-111%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.2.8

CAPITAL EXPENDITURE 2021/2022: SANITATION SERVICES R'000					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>320 376</b>	<b>86 945</b>	<b>63 319</b>	<b>-406%</b>	
SANITATION FACILITIES IN INFORMAL SETTLEMENTS	8 000	9 126	9 126	12%	9 126
BERLIN SEWERS	3 000	3 338	3 338	0%	3 338
BISHO KWT & ZWELITSHA BULK REG SEWER SCHEME	12 700	6 752	6 752	-88%	6 752
NAHOON RIVER OUTFALL SEWER	-	992	992	100%	992
UPGRADING OF SECURITY FOR SANITATION INFRASTRUCTURE	-	3 108	3 108	100%	3 108

NETWORK FLOW MONITORING INFRA-STRUCTURE	-	421	421	100%	421
PROVISION OF WASTEWATER BOERE-HOLES	-	1 820	1 820	100%	1 820
UPGRADING OF ZWELITSHA WASTEWATER TREATMENT WORKS	100 000	-	-	0%	-
E/L SEWER DIVERSION: CENTRAL TO REESTON	169 176	35 311	11 727	-1343%	35 311
EAST BEACH GRAVITY SEWER UPGRADE	5 000	4 212	4 212	-19%	4 212
HOOD POINT MARINE OUTF SEWER & AUXILLIARY WORKS	4 500	4 611	4 611	2%	4 611
MDANTSANE SANITATION	8 000	2 044	2 044	-291%	2 044
MDANTSANE WASTEWATER TREATMENT WORKS	10 000	10 000	9 958	0%	10 000
MDANTSANE WASTEWATER TREATMENT WORKS	-	5 210	5 210	100%	5 210
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					<i>T 3.2.9</i>

### COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

Currently, approximately 96% of households have access to basic levels of sanitation services, with the 4% backlog faced mainly in rural areas and informal settlements in urban areas. The following are some of the main sanitation infrastructure provisions currently underway:

Description	Details
Upgrading of Zwelitsha Wastewater Treatment Works	Upgrading of Zwelitsha Wastewater Treatment Works to allow for decommission of Schornville, Bhisho, and Breidbach treatment works and diversion of flows to Zwelitsha.
Diversion of Sewage from Central WWTW to Reeston WWTW	Diversion of Central WWTW to Reeston WWTW, through construction of a 5 km long x 4 m diameter Sewer Tunnel. The works includes construction of a 400 m Tunnel Approach Section, 4.5 km Sewer Tunnel, Central Tunnel Shaft, and Tunnel Exit
Tunnel Diversion of Central Wastewater Treatment Works	Diversion of sewage flows from Central Wastewater Treatment Works to Reeston Wastewater Treatment Works through a 4.5 km long and 30 m deep sewage tunnel
Upgrading of Hood Point Marine Discharge	Upgrading of existing screening station, provision of primary sludge treatment facilities, and construction of a 1.4 km long deep sea marine discharge outfall sewer.
Upgrading of Mdantsane Wastewater Treatment Works	Upgrading of existing Inlet Works, Primary Settling Tanks, Biological Trickling Filters, and Provision of new perimeter fencing and guardhouse.
Upgrading of Eastern Beach Sewer	Provision of a parallel 1 m diameter pipeline from Esplanade Street to City Pump Station in Bats Caves.
Provision of Ablution Facilities in Informal Settlements	Provision of waterborne ablution facilities in informal settlements in the urban areas.
Sanitation Backlog Eradication	Provision of VIPs to eliminate rural sanitation backlogs.

The municipality has made the following mid-term budget allocation to address the Integrated Development Plan (IDP) targets and bulk sanitation infrastructure challenges set out above:

Financial Year	Budget
2021-2022	R 320 376 378
2022-2023	R 558 900 000
2023-2024	R 623 679 622
Total	R 1 502 956 000

The municipality received 2 Green Drop Certification for two of its wastewater treatment works during the last assessments conducted in 2013 by the National Department of Water and Sanitation. The municipality was the best performing municipality in the Eastern Cape at the time. The Department of Water and Sanitation has revived the Green Drop Certification system, with assessment scheduled for the last quarter of 2021.

T3.2.10

### 3.3 ELECTRICITY

#### INTRODUCTION TO ELECTRICITY

The mandate of the Electricity and Energy Services Department is to provide an effective, safe and efficient electrical service to all legal consumers in accordance with legal and statutory requirements within the BCMM licensed area of supply which is mainly in the urban edge.

Eskom is licensed to provide electrical services to areas within BCMM jurisdictions mainly in the rural areas. As mentioned above BCMM do not have a service level agreement with Eskom and therefore has very little influence in the level of service provided within the Eskom licensed area. As this issue affects most municipalities, the issue of the service level agreements is being considered by the national departments of CoGTA and DTI.

Until this has been resolved the status quo in terms of level of service, such as street lighting will remain.

The electricity network in Buffalo City is currently in a moderate condition. Without a continued capital investment plan and funding to implement the plan, Buffalo City could see a deterioration to the network, as there are numerous areas within the network which are at the end of their life span. Without the required capital injection, failures will increase, which would have an impact on the city's growth and income as electricity sale account for the largest portion of Buffalo City's yearly income.

Maintenance of the electrical network is concerning as the funding allocated is inadequate, leading to some essential maintenance being deferred. The budget constraints, are exacerbated by the increase of vandalism, theft and increased illegal connections which forces the Electricity and Energy Services Department to further cut down on maintenance of the electrical network as equipment in good condition needs to be replaced due to illegal acts.

The consequences of illegal acts have led to frequent power outages and a poor quality of supply to electricity consumers. In addition, the Electricity and Energy Services Department is at high risk of non-compliance to the license issued by the National Energy Regulator of South Africa (NERSA) and to non-compliance of occupational health and safety regulations.

The BCMM Electricity and Energy Services Department purchases bulk electricity from Eskom via 15 distribution intake points in the city's supply area. The Electricity and Energy Services Department plans to reduce the number of intake points and to optimize the electrical network as this will reduce the payments made to Eskom as well as provide a more stable and controllable grid.

The Electrical and Energy Services Department provides to services to 134,803 legal consumers.



Table 15: Electricity distribution to Consumers

PREPAID						
Count of Meter No	Tariff					
Type	Business	Domestic	Indigent	Large	Temp	Grand Total
Non SM	1,766	55,275	40,153	29	13	97,236
SM	1,143	19,909	16,514		1	37,567
<b>Grand Total</b>	<b>2,909</b>	<b>75,184</b>	<b>56,667</b>	<b>29</b>	<b>14</b>	<b>134,803</b>

POSTPAID			
Count of Meter No	Type		
Tariff	Non SM	SMART	Grand Total
BC0100	38	190	228
EL0100	241	4,586	4,827
EL0200	285	2,011	2,296
EL0201	14	129	143
EL0300	66	765	831
EL0301	12	108	120
EL0302	1	46	47
EL0303		2	2
EL0401	9	2	11
EL0403	3	8	11
EL0406		11	11
EL0501		1	1
EL0503	7	6	13
EL0701		29	29
EL0801		13	13
EL0900		17	17
EL0902		8	8
EL0905		8	8
ELD100	4	11	15
ELD200	26	47	73
ELD300	3	13	16
ELD301		3	3
ELD401	3		3
ELD402	1		1
ELD403	1		1
ELD406	1	1	2
ELD501	1	7	8
ELD502		1	1
ELD503	58	135	193
ELD505	5	25	30
<b>Grand Total</b>	<b>779</b>	<b>8,183</b>	<b>8,962</b>

**Formal Electrification:**

1. The national minimum standard required by the Department of Energy is set at a minimum of 20 Amps per service connection.
2. BCMM provides 40 Amps service connections to all RDP dwellings.
3. Yearly, the BCMM Electricity and Energy Services Department requests a list of dwellings from Human Settlements that have been completed and are ready for electrification. The areas provided are then scheduled for implementation.

**Informal Electrification:**

1. BCMM provides 40-amp service connections to all informal dwellings.
2. Yearly, the Electricity and Energy Department requests a list of informal areas from Spatial Planning that meet the criteria set out in the SOP and are ready for electrification.
3. Due to the migration of people from rural areas into the city in search of employment opportunities, open land in the city is being occupied, resulting in the proliferation of informal settlements in the metro.
4. Even though informal areas do not meet town planning requirements, these areas still demand services such as electricity.
5. The request for the provision of electricity cannot be met, as these areas are usually settled haphazardly and are very dense, leaving no clear space to safely install the electrical network.
6. BCMM recognises that informal settlements will be the only housing available to many residents for the foreseeable future.
7. BCMM has a standard operating procedure to speed up the electrification program. This involves all the relevant departments during the pilot phase. A number of issues resulted in the SOP having to be reconsidered and streamlined. It needs to consider re-blocking informal settlements to ensure roadways (accessways) are opened to allow for the safe installation of services and for future maintenance.
8. The Deputy Mayor set up a task team to expedite this process.

**Eskom Electrification**

Eskom as with BCMM, is responsible for universal access to electricity and, under the NERSA license issued, for supplying electricity to rural areas. Eskom has an electrification program funded by the Department of Minerals and Energy.

**FREE BASIC ELECTRICITY:**

To ensure that all households connected to the BCMM Electrical network have access to electricity and can benefit from the service provided, indigent consumers receive a monthly allocation of 50 free units.

A further benefit provided to indigent consumers that are connected to the electricity grid is the waiver of the subsidized service connection fee. The connection is provided at no cost to indigent consumers.

**REVENUE PROTECTION:**

Since the exception of the smart metering project in 2017, the Electricity Revenue Protection Section have project managed the installation of 23,797 smart meters which comprises of 8,173 post-paid meters and 15,624 pre-paid meters. The smart meter commissioning process has proved to be highly successful in resolving monthly billing issues previously being experienced by large power users and the two dedicated specialized electricians identified **R40,193,659.72** in billing irregularities which have now been resolved and the underbilling rectified on the financial back-end billing system.

Pre-paid smart meter conversions have seen 1,098 tampers/faulty meters being identified by the smart metering installation team. The potential recoveries were calculated at R12,364,294

The table below represents the split between smart and non-smart pre-paid meters:

TARIFF	NON SM	SM	TOTAL
<b>Indigent</b>	40,047	16,833	56,891
<b>Temp</b>	13	1	14
<b>Large</b>	29		29
<b>Business</b>	2,143	1,143	3,286
<b>Domestic</b>	54,930	19,745	74,675
<b>Grand Total</b>	<b>97,162</b>	<b>37,722</b>	<b>13,4895</b>

The table below represents the split between post-paid smart and non-smart meters per region and tariff:

A breakdown of installed smart meters, per region and per meter type is as follows:

REGION	NON SM	SMART	TOTAL
1	446	7196	7642
2	48	288	336
3	278	689	967
<b>GRAND TOTAL</b>	<b>772</b>	<b>8173</b>	<b>8945</b>

An analysis of Electricity kWh yearly sales shows that 68.06% of electricity income is derived from three customer tariffs, viz, our medium voltage large power users, our domestic pre-paid customers and from low voltage large power user customer categories (as broken down in the table below).

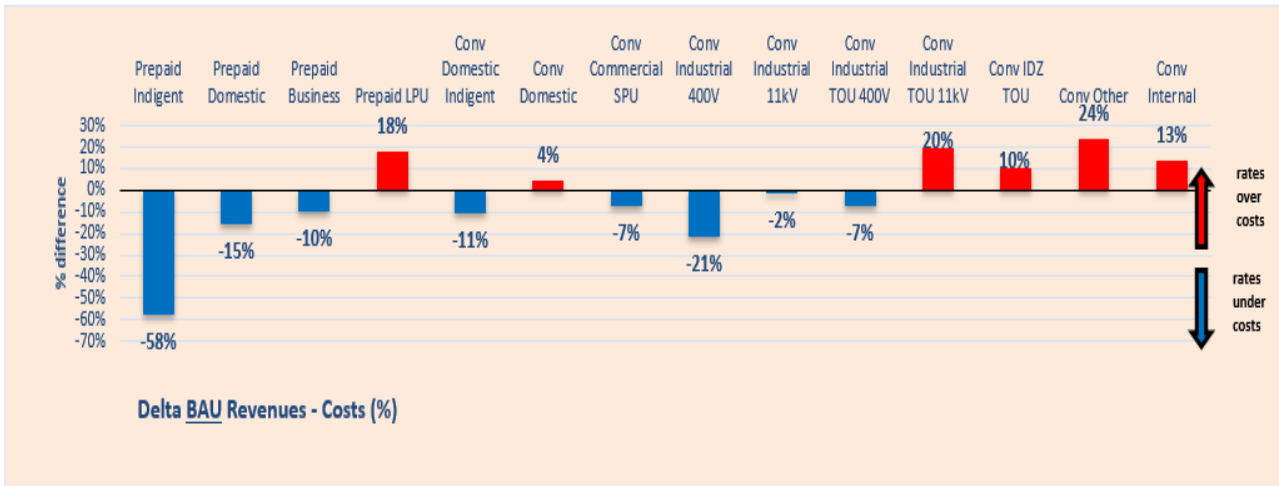
It stands to reason that Revenue Protection activities are prioritised in these customer categories and 2,797 meter inspections took place. The net result is that total electricity losses have dropped from 22.76% in 2020/21 to 15.15% for the 2022/23 financial period (as at August 2022).

Table A: % kWh purchases per tariff category for 2021/22

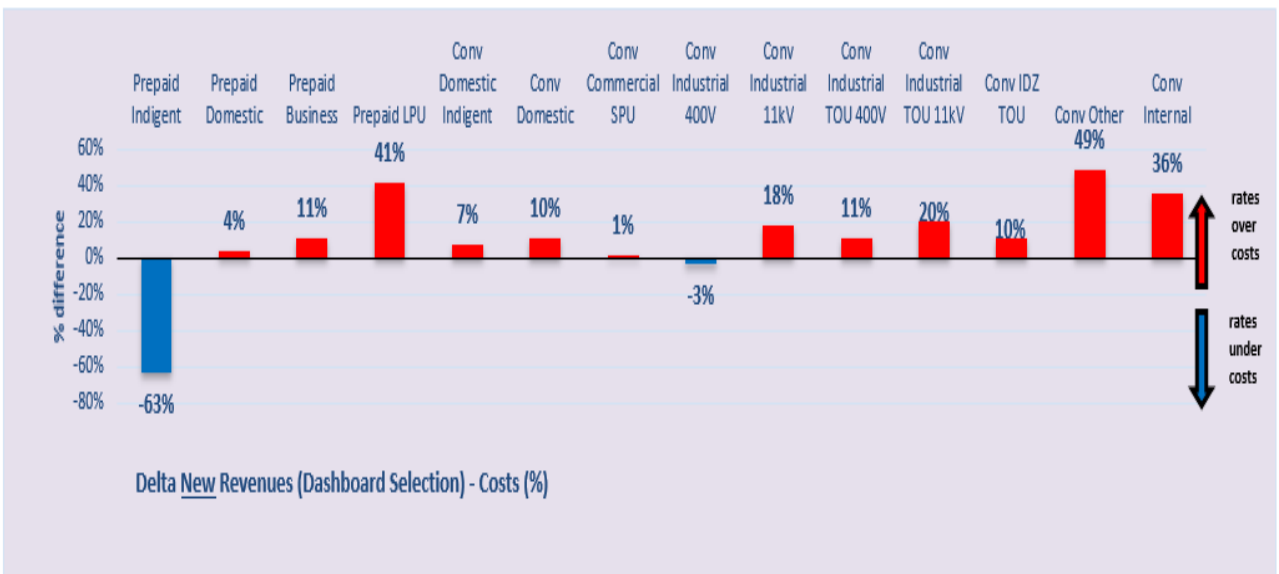
		% Split
Conv Industrial 11Kv	312,644,988	27.92%
Prepaid Domestic	234,169,478	20.91%
Conv Industrial 400V	215,456,606	19.24%
Prepaid Indigent	88,205,577	7.88%
Conv Domestic	57,898,082	5.17%
Conv IDZ TOU	54,621,924	4.88%
Conv Commercial SPU	41,948,238	3.75%
Conv Internal	38,371,224	3.43%
Conv Street and Traffic Lights	23,796,200	2.12%
Conv Industrial TOU 11kV	21,717,590	1.94%
Prepaid Business	20,748,446	1.85%
Conv Industrial TOU 400V	6,410,925	0.57%
Conv Domestic Indigent	2,515,159	0.22%
Prepaid LPU	1,102,065	0.10%
Conv Other	355,842	0.03%
<b>Total</b>	<b>1,119,962,343</b>	

BCMM, in conjunction with a National Treasury-appointed consultant (viz Ricardo Consulting), concluded a Cost of Supply study and the following points need to be highlighted.

The CoS Report highlights the fact that even though BCMM has some of the highest applied electricity tariffs in the Country, the applied electricity tariffs are not cost-reflective. The existing tariffs are still under recovering by 16.9% for the 2022/23 financial period even after the NERSA approved a 7.47% increase for this period. The table below represents the existing cost reflectivity (in %) of the existing tariff structures.



Pre-paid indigent customers, for example, are being cross subsidised by 58% from other customer categories. As a direct result, the City’s business customers are cross subsidising most of this deficit which has resulted in an exodus of business customers from our region due to the “higher than normal” applied tariffs. This fact is detrimental to the economic growth of the metro as businesses are being “penalized” (+18%) in a customer class where the business customer numbers are big enough to offer full cross subsidisation.



The report recommended tariff structure changes (reflected in the table above) narrowed this margin slightly whilst still recognizing the need to support indigent consumers. The recommended applied tariffs have also been restructured to include basic service charges for prepayment customers. The revised tariff cost reflectivity changes are shown in the table below:

NERSA approved a tariff increase of 7.47% for the 2022/23 financial period, but BCMM still needs a further 16.9% for full cost reflectivity. This income deficit is unsustainable and needs to be urgently addressed in the 2023/24 financial year where NERSA requires a further six months to analyse CoS calculation methodology. The recommended tariff restructured changes and additional tariff increases, needed for full cost reflectivity, needs to be submitted to NERSA.

The CoS Report concluded that Buffalo City Metropolitan Municipality will lose R427,416,325 in total electricity losses for the current year. This is due to the fact that the National Energy Regulator of South Africa tariff guideline (associated with electricity losses), is 12% and where tariff modelling calculation methodology is applied, a total of R190,832,160 will be “non-recoverable” through the next National Energy Regulator of South Africa tariff application and the City stands to lose this amount in full, as it was not considered in the 2022/23 tariff application. This has a direct impact on BCMM’s predicted deficit income for the current year.

The CoS study also targeted KVA losses associated with electricity losses and calculates that BCMM lost 48% of the applied Eskom maximum demand charge billing. The impact of this is that total losses (KVA and kWh's) is calculated at 38% on revenue generated in the domestic customer electricity network.

***Note: KVA losses and the associated impact of these losses is not part of the existing NRS 080 electricity loss calculation methodology in South Africa. This will change in the future, based on the outcome of the concluded CoS for Buffalo City Metropolitan Municipality. The customers who steal from the network increases network demand costs which are not being recovered through approved and existing bylaw punitive charges.***

All efforts are being made to have the CoS recommendations approved by the BCMM Council and NERSA for application in the 2023/24 billing period.

The Electricity and Energy Services Department has over a number of years installed SCADA as an early warning system to combat theft in the city's major substations. This led to a reduction in theft but not vandalism, as the SCADA system can detect a break-in and these can be reacted to more quickly thereby stopping the theft but not the damage that takes place.

Substation break-ins peaked in 2020/21 and the Department has now installed security cameras and electric fences at 81 substation sites. The three main substations, viz Stafford, Progress and Chiselhurst have been equipped with thermal imaging cameras, PTZ's and hidden cameras which are also linked to breaches in the electric fence and whereby suspects can later be identified for prosecution. Security alarm monitoring is done at the electricity network control centre and alarms are provided to reactive field security teams at the time that an alarm is triggered.

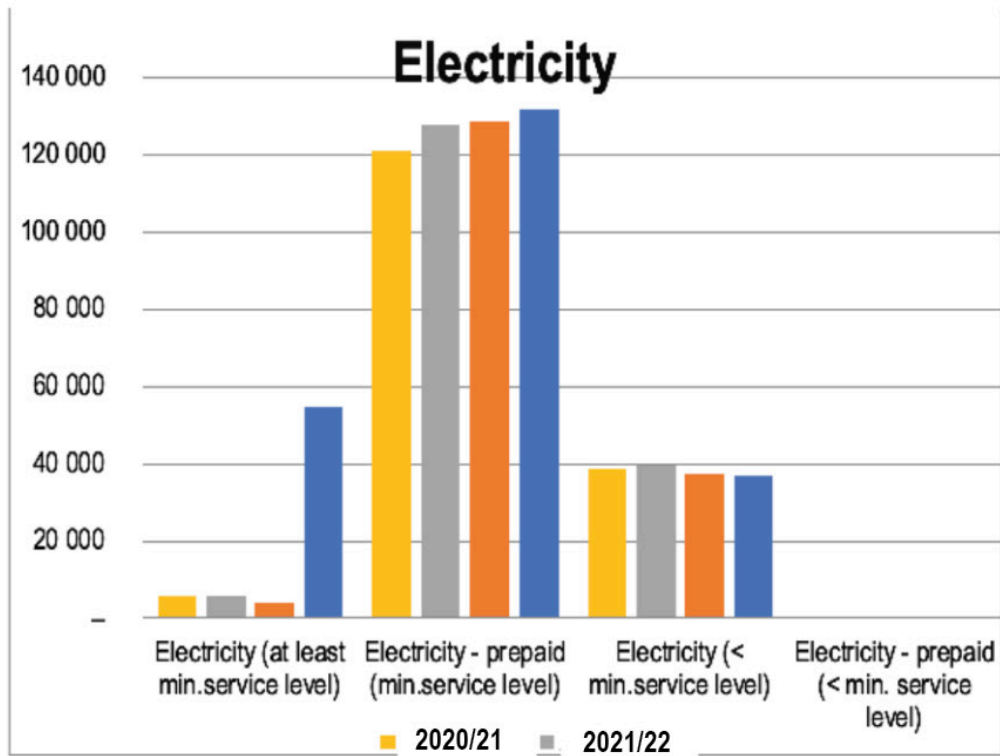
During 2021/22, 350 alarms were reacted to by private security across all 81 protected sites. The result is that these implemented security measures have not been breached since installation and that essential infrastructure has not been stolen at these sites.

The Department is now also looking at installing wireless sound detection devices above targeted ground cables and each device will send GPS coordinates to where the threat is occurring so that security personnel can be deployed to react to these locatable alarm events.

Over the past two years, 21 suspects were arrested. Some of the suspects had hefty jail sentences imposed against them, whilst others are still to appear in court.

The Department has now interacted with SAPS Col Petzer, the Eastern Cape Head of the PFMCCC (Provincial Ferrous Metals Crime Combatting Committee). It is now agreed that Col Petzer and his team will assist BCMM to arrest illegal electricity users whereby trial cases under the Criminal Matters Amendment Act are raised and charged with "damaging essential infrastructure". These will be test cases for prosecuting this type of crime as part of the Criminal Matters Amendment Act. BCMM was also instrumental in training the local East London NPA on prosecuting suspects on the Criminal Matters Amendment Act. The training was facilitated by the Southern African Revenue Protection Association and the National Non-Ferrous Metals Crime Combatting Committee (SAPS National body).

T3.3.1



T3.3.2

## ELECTRICITY SERVICE DELIVERY LEVELS

HOUSEHOLDS				
Description	2018/19	2019/20	2020/21	2021/22
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<b><u>Energy: (above minimum level)</u></b>				
Electricity (at least min.service level)	6	6	4	55
Electricity - prepaid (min.service level)	121	128	129	132
<i>Minimum Service Level and Above sub-total</i>	127	134	132	187
<i>Minimum Service Level and Above Percentage</i>	76,5%	77,2%	77,9%	83,5%
<b><u>Energy: (below minimum level)</u></b>				
Electricity (< min.service level)	39	40	37	37
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	39	40	37	37
<i>Below Minimum Service Level Percentage</i>	23,5%	22,8%	22,1%	16,5%
<b>Total number of households</b>	166	174	170	224
T 3.3.3				

## HOUSEHOLDS-ELECTRICITY SERVICES DELIVERY LEVELS BELOW THE MINIMUM

HOUSEHOLDS - ELECTRICITY SERVICE DELIVERY LEVELS BELOW THE MINIMUM						
Description	2018/19	2019/20	2020/21	2021/22		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
<b>Formal Settlements</b>						
Total households	130	137	135	190	190	190
Households below minimum service level	3	3	3	2	2	2
Proportion of households below minimum service level	2%	2%	2%	1%	1%	1%
<b>Informal Settlements</b>						
Total households	45	45	45	45	45	45
Households below minimum service level	39	40	37	37	37	37
Proportion of households below minimum service level	87%	88%	83%	82%	82%	82%
T 3.3.4						

ELECTRICITY SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2020/21		2021/22			2022/23	2023/24/25	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Pre-previous Year		*Pre-previous Year	*Current Year		*Current Year	*Following Year	
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
Provision of minimum supply of electricity	Number of new RDP household supplied with Electricity	1,000	1,000	1,000	700	642	1,000 new electrical service connections	1,500 new electrical service connections	1,500 new electrical service connections
Implement lighting program to ensure adequate lighting coverage	Number of new Highmast lights installed	10	10	10	10	9	10	10	10
T 3.3.5									



EMPLOYEES: ELECTRICITY SERVICES					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	92	37	29	8	21.6%
4 - 6	24	87	78	9	10.3%
7 - 9	39	46	41	5	10.8%
10 - 12	56	52	48	4	7.7%
13 - 15	5	14	12	2	14.3%
16 - 18	0	3	1	2	66.7%
19 - 20	1	1	1	0	0%
<b>Total</b>	<b>217</b>	<b>240</b>	<b>210</b>	<b>30</b>	<b>12.5%</b>

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.3.6*

FINANCIAL PERFORMANCE 2021/2022: ELECTRICITY SERVICES					
Details	2020/2021	2021/2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>2 006 120</b>	<b>2 438 771</b>	<b>2 438 771</b>	<b>2 218 915</b>	<b>-10%</b>
Expenditure:					
Employees	134 332	145 031	144 905	144 905	0%
Repairs and Maintenance	125 003	135 488	131 433	131 125	-3%
Other	1 999 533	2 529 000	2 159 319	2 502 169	-1%
<b>Total Operational Expenditure</b>	<b>2 258 868</b>	<b>2 809 519</b>	<b>2 435 657</b>	<b>2 778 199</b>	<b>-1%</b>
<b>Net Operational Expenditure</b>	<b>252 748</b>	<b>370 749</b>	<b>(3 113)</b>	<b>559 284</b>	<b>34%</b>

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.3.7*

CAPITAL EXPENDITURE 2021/2022: ELECTRICITY SERVICES					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>122 920</b>	<b>122 925</b>	<b>122 453</b>	<b>0%</b>	
BULK ELEC INFRAS UPGR (RING-FENCED 4%)	91 920	91 684	91 684	0%	91 684
ELECTRIFICATION PROGRAMME	5 000	5 750	5 750	0%	5 750
ELECTRIFICATION - INFORMAL DWELLING AREAS - BCMM	10 000	9 550	9 550	0%	9 550
STREET LIGHT & HIGHASTS - BCMM AREAS OF SUPPLY	5 000	5 741	5 741	13%	5 741
TOOLS AND EQUIPMENT (SPECIALISED VEHICLES)	1 000	750	731	-37%	750
BUILDING ALTERATIONS - BEACON BAY CIVIC CENTRE & OPERATIONS DEPOT	1 000	-	-	0%	-

CAPITAL EXPENDITURE 2021/2022: ELECTRICITY SERVICES					
Capital Projects	Budget	Adjustment Budget	2021/2022		Total Project Value
			Actual Expenditure	Variance from original budget	
BUILDING ALTERATIONS - BEACON BAY CIVIC CENTRE & OPERATIONS DEPOT	–	450	–	0%	450
LV NETWORKS - RW=WHOLE METRO	9 000	9 000	8 997	0%	9 000
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T 3.3.8

## COMMENT ON ELECTRICITY AND ENERGY SERVICES PERFORMANCE OVERALL:

### STREET LIGHTING

#### HIGH-MAST INSTALLATIONS

Installation of nine 40-meter high-masts in the metro.

Ward	Area
34	Dimbaza - Phola Park
34	Dimbaza – Kwasa Park
13	Reeston
12	Mdantsane Zone 1 - 1 (Church)
12	Mdantsane Zone 1 - 2 (y-Intersection)
12	Mdantsane Zone 1 - 3 (school)
30	Mdantsane Zone 9
16	Amalinda Forest
7	Duncan Village



## NETWORK STABILITY/ ENHANCEMENT

The Electricity and Energy Services Department is a service department which provides an essential service. Without a reliable network and increased capacity the department is unable to provide the services or install additional connections onto the network.

While BCMM injected a sustainable amount of capital, the electricity network is currently in a poor condition due to vandalism, theft and illegal connections. This led to deferred maintenance requiring capital investment into replacing equipment that should have had an extended life if maintained timeously which now needs to be replaced due to failure. This results in budget constraints which forces the Electricity and Energy Services Department to prioritize on capital upgrading and replacement of the electrical network.

The consequence of the current status of the network has been a number of power outages and a poor quality of supply to electricity consumers. The Electrical Master plan is being updated and will include a strategic capital reinvestment plan, with achievable goals. The investment plan will include the capital budget required to ensure network stability. The aim of the investment plan will be to normalize the network so that Buffalo City does not experience further electrical failures, which would have a negative impact on the city's economic growth and the municipality's income as electricity sales account for the largest portion of Buffalo City's yearly income.

The Electricity and Energy Services Department received R118,780,700 million in the 2021/2022 financial year for capital projects. The Electricity and Energy Services Department spent 97% of its budget implementing countless projects to ensure a safe, reliable and efficient electrical network.

### ACHIEVEMENTS 2021 – 2022

#### BULK ELECTRICITY INFRASTRUCTURE UPGRADE (Ring Fenced 4% of Revenue)

Cambridge West OH Line Replacement
Parkside Refurbish LV OH Line
Stoneydrift Upgrade LV OH Line Lower Croydon Road to Archer Street
Vincent LV OH Line Replacement
Greenfields Phase 2 Replace OH Lines with ABC
Glen Eagles Rd OH Network Replace with ABC
Cambridge Mayfair Ave Replace OH with ABC
Amalinda Replace OH with ABC
Da Gama Line
Cemetery M/Sub to Joubert M/Sub KWT Replace Cable
Nahoon Replace OH Line Replace ABC
Corner Main and Saxilby Roads LV Cable Replacement
Under Frequency Load Shedding
Load Control Gear and Ripple Relays
Beacon Bay Industrial Ray Craib Crescent RMU - Bird Street - Green Tanks Install Cable
Bhisho Hospital 11kV Line
Cambridge Township Phase 2 Install Cable (Part of Project 2949)
Cambridge West Replace OH Lines
Frere Hospital to Royal Buffalo Hospital Cable
Bonza View Gonubie ABC Line for Services
SCADA MIMICS
Traditional Leaders to PHALO SAPS M/Substation Replace Cable
President Park S/S to TRU-FM Replace Cable and Install RMU



Ginsberg Cwayl Street Replacement of M/Substation
Wodehouse Road KWT Replace with ABC
SCADA (Coastal)
SCADA Mdantsane (Midland) (Mount Ruth / Telkom repairs to be added)
SCADA (Inland)
Pirie Trust Dimbaza Replacement RMU
St. Dominics quality of supply equipment
Cooper Crescent Pump Station Supply Install PMT
Browning St Replace 500kVA M/Sub Transformer
Reynolds View Replace 500kVA M/Sub Transformer
Shackleton Road Gonubie Install 630kVA M/Sub Transformer
Eskom Incomer and Busbars Phase 2
Chiselhurst Yard Works Phase 2
Maqubela Street M/Substation
Autocat Woodbrook Replace RMU
Post Office Bhisho Replace RMU
Replace MV Cable Bhisho Post Office S/S to Engen Garage M/S Civic 1 to Civic 2
Siyabonga Village Installation of RMU (outdoor)
Teddy Farm Installation of RMU (outdoor)
Gonubie Substation Installation of RMU (indoor)
Zuurberg Installation of RMU (outdoor)
Bridge Street Installation of RMU (outdoor)
El Paraiso Installation of RMU
Access Control 2021/22
Woodbrook Infrastructure Upgrade
Eskom Incomer and Busbars
Chiselhurst Yard Works

### Frere Hospital to Royal Buffalo Hospital MV cable.



**UPGRADE AND RENEWAL OF GREENFIELDS/SUNNYRIDGE OVERHEAD LINES**

**ELECTRIFICATION**

In terms of electricity service connections for RDP housing, the Electricity and Energy Services department implements electrification projects to provide electricity to formal houses. Annually, Buffalo City’s Electricity and Energy Services Department requests a list of dwellings that are ready for electrification as part of national government’s Universal Access policy.

The number of houses that can be connected is dependent on number of completed dwellings and the funding provided through the USDG grant funds.

It is recognized that informal settlements are an urban reality, at least in the medium term, will be the only form of housing available to many residents. To improve the quality of life of the residents of these settlements, BCMM implemented electrification projects within areas that meet basic criteria.

**Areas Electrified in 2021/22**

Dacawa	315
Potsdam	70
Dimbaza In-Fills	47
May 2022 In-Fills	49
Reeston	161
<b>Total</b>	<b>642</b>

**REESTON ELECTRIFICATION**



Ready board Installation on rails



Overhead Network





Service Connection entering dwelling



Transformer/ Network construction

### DACAWA ELECTRIFICATION



## MAJOR CHALLENGES IN ELECTRICITY

During the year, under review, there are a number of issues that impact on the provision of a safe, effective, and reliable service. The major issues impacting the Electricity and Energy Services Department are:

1. Theft and Vandalism of equipment
2. Illegal connections, which damage the electrical equipment due to overload
3. Funding

Over the last year, there has been a substantial increase in all of the above, impacting the level of service delivery being provided to the Metro's customers, whereby some cable theft is being done to service the "illegal electricity" trade and not just for a financial gain.

This continuing trend impacts significantly on the City's revenue generation and will affect the continued electrical service to legal consumers, as essentially the service will be running at a loss unless extreme action is taken to reduce the non-technical losses.

## VANDALISM AND THEFT

Vandalism and theft require Electricity and Energy Services staff to spend numerous hours and maintenance funding to replace equipment that was in good working order, but to maintain services to consumers this work needs to take priority to ensure service delivery.

The below tables provide a breakdown of the funds spent on theft, vandalism and illegal connections:

SUMMARY - NETWORK/VANDALISM CASES (2021/22)	
Description	Rand Value
Equipment damage due to Illegal Connections	R4,071,017
Substation Equipment Theft/Insurance Claims	R5,684,833
Overhead lines, service connections, underground cable, poles, streetlighting, kiosks	R6,813,561
Repair of infrastructure caused by illegal connections	R863,958
Contractor assistance to repair/replace infrastructure due to vandalism and theft	<u>R9,758,456</u>
<b>Total</b>	<b>R27,191,825</b>

BUDGETS FOR 21/22	
Description	Rand Value
Network	R1,002,261
Overhead Mains	R7,797,487
Substations	R11,562,259
Underground Mains	R6,357,996
Insurance	R7,495,480
Disconnect/Reconnect	<u>R1,588,304</u>
	<b>R35,803,787</b>

Calculated from the figures above the Electricity and Energy Services Department spent 75% of its budget which is meant to carry out essential maintenance. This deferred maintenance will lead to more faults on the electrical network.





## Vandalized Network

### TAMPERING AND ILLEGAL CONNECTIONS

The BCMM electricity department is responsible for providing a stable electricity supply to all consumers. The consistent land invasion of open spaces and the increasing illegal connections within the city are making reliable service delivery impossible in some areas, as the department has no control over this illegal act which is perpetrated by some of the community members within the area being serviced. The Electricity Department has a Revenue Protection Unit which removes illegal connections on a continuous basis but this is a losing battle as the illegal community returns the illegal services as soon as the Unit leaves the area due to no further action being taken against these individuals that are perpetrating this illegal act.

As know legal action is being taken illegal electricity users are now making use of the BCMM MV lines (11 000volts), to installing their own network using stolen transformers, this is creating an even higher risk to BCMM staff. The actions of the illegal connectors have an effect not only on BCMM ability to provide an electrical service to legal consumers but leads too loss of revenue, damage to equipment and the electrical network. The damage caused requires the electricity and energy department to spend funding which should be used for strategic maintenance, to replace and repair which would not need to be replaced under normal conditions.

If serious and decisive action is not taken by the Buffalo City Metropolitan Municipality council to halt the unchecked proliferation of illegal connections and illegal electrical networks unto the Buffalo City Metropolitan Municipality electrical network, the number of legal claims faced by BCMM will increase. The Department has now interacted with SAPS Col Petzer, the Eastern Cape Head of the PFMCCC (Provincial Ferrous Metals Crime Combatting Committee) . It is now agreed that Col Petzer and his team will assist BCMM in making arrests of illegal users of electricity and whereby trial cases raised under the Criminal Matters Amendment Act and charged with "damaging essential infrastructure".



**Recovered stolen cable from illegal connections**

**Summary of transformers replaced due to illegal connections per area in the 2021/22 financial year**

AREA	NUMBER OF TRANSFORMERS
Nompumelelo	16
Mzamomhle	1
Santa	5
Airport Phase	5
C-Section	2
West Bank Primary	1
2 <sup>nd</sup> Creek Pump Station	1
Cambridge Location	2
Woolwash Road	1
Amalinda Forest	1
Cambridge Location	1
Berlin	2
Dimbaza	1
Bisho	3
Breidbach	2
Ilitha	1
Ginsberg	1
Area	Number of Transformers
Zwelitsha	1
Polar Park	1
Acorn Valley	1

**ELECTRICITY BUDGETS**

The Operations and Maintenance budget provided to the Electricity and Energy Service Department is inadequate under normal network conditions, as shown above due to illegal connections, vandalism and theft. At least 75% or more of the budget is spent on non-essential maintenance.

When maintenance is not done, it leads to deferred maintenance - meaning the equipment is being pushed to critical limits and when faults happen, they usually lead to catastrophic breakdowns requiring additional capital funding.

This deferred maintenance put a stress on the capital funding, as these catastrophic failures require immediate replacement, leading to deferred capital projects unless funding is made available. Capital funding is required to replace existing equipment which has passed its normal working life span. This requirement has increased due to deferred maintenance.

Additional funding would assist in ensuring that the quality of supply and service of electricity network remain at the required levels.

T3.3.9

### **3.4. WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTION, WASTE DISPOSAL, STREET CLEANING & RECYCLING)**

#### **INTRODUCTION TO WASTE MANAGEMENT**

The Solid Waste Management Services Department is one of BCMM's service delivery departments. The Department provides waste management services to over 132,000 households and a significant number of businesses daily across the three regions of the City. This is to ensure that residents live in an environment that is not harmful to their health and that the aesthetics of the city is improved.

It is acknowledged that the City's waste management services and the state of cleanliness have been subjected to criticism. The Department has always been inundated with complaints about the growing rate of waste littering, illegal dumping of waste and filthy streets. The long distance from the waste service points to the City's regional landfill site that serves mainly the Coastal and Midland Regions situated in Berlin, as well as the lack of transfer stations poses challenges for efficient waste services provision. This is particularly the case for the Coastal Region with the furthest service points of more than 50 kilometers away from the landfill site which in turn has a negative impact on the condition of the City's refuse removal trucks.

The City reviewed its Integrated Waste Management Plan (IWMP), which will ensure that waste is diverted from landfill sites (disposal) and advocate for waste beneficiation (e.g. recycling, composting etc.). The IWMP identifies the City's waste management challenges, priorities as well as goals for improved management of waste. It is a five-year plan comprising short, medium and long-term goals that seek to address waste management challenges. It is imperative that the IWMP be robust in its approach and is able to provide practical solutions to the day-to-day and future waste management challenges.

#### **WASTE MANAGEMENT ACTIVITIES AND INTERVENTIONS UNDERTAKEN**

1. Mapping out illegal dumps hotspots to prepare for the establishment of mini transfer stations at ward level in 2021/2022 financial year.
2. Clustering of service areas for refuse removal in the residential areas to ensure optimal use of resources and to also prevent waste collection backlog. Clustering commenced in the Midland and Inland Regions; whilst the Coastal region is drawing lessons in order to improve their service model.
3. The Department continues to distribute refuse bags regularly to households and implement a weekly collection service as part of ensuring maximum cleanliness throughout the City.
4. The City managed to purchase solid waste fleet, plant, bulk containers and small vehicles in the 2021/2022 financial year for improved waste management services.
5. Branding of Solid Waste vehicles in an effort to raise community awareness to waste management and waste minimization strategies earned positive results in communities.

#### **SERVICE DELIVERY ON FRIDAYS**

Service Delivery on Fridays coupled with Women Caucus Monday clean-up campaigns are spear-headed by the Political Leadership with Officials in identified areas where aggressive interventions are conducted. These programmes are accompanied by awareness raising campaigns to educate the communities about the importance of keeping their living spaces clean, discourage illegal dumping of waste and encourage waste minimisation initiatives.

#### **Partnerships**

The City values the support provided by its partners such as the BKCoB and BCMDA who have been working jointly with the City to ensure cleanliness of strategic areas such as the entrances and exits of the City as well as tourist attraction areas. These partners, together with other private partners contribute to waste minimisation initiatives, education and awareness programmes.

The Integrated Rapid Response Teams (IRRRT) were set up in all three regions of the City. Its purpose is to ensure quality assurance on waste service provision, follow up on complaints as well as reinforcing services in problematic areas. The participation of EPWP participants in augmenting and complementing cleaning programmes ensures that waste services are delivered as mandated.

The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) in partnership with BCMM undertook a waste complementary project in the Inland Region. The following deliverables were attained:

- Twenty concrete street litter bins were installed in the King Williams Town CBD
- Ten concrete street litter bins were installed in the Bhisho CBD.

### GARDEN TRANSFER STATIONS AND LANDFILL SITES

BCMM has a responsibility to ensure that waste management facilities including waste transfer stations comply with NEMA and NEMWA requirements. The Department of Solid Waste Management Services as the custodian of the function has a responsibility for the management of waste facilities has taken an initiative to enhance compliance of waste transfer stations. The upgrading of the waste transfer stations is done in terms of legislative prescripts and the requirements from DEDEAT.

In the 2021/2022 financial year, the City initiated works toward upgrading of three transfer stations in the Coastal region i.e. Kaysers Beach, Kidds Beach and Beacon Bay. Upgrading of these three transfer stations include installation of fencing that contributes positively to the compliance requirements of these facilities. The City has successfully received registration certificates from DEDEAT for Kaysers Beach and Kidds Beach transfer stations as part of the compliance requirements.

The Roundhill Regional Landfill Site in Berlin was upgraded through construction of two new cells, construction of a leachate treatment system as well a waste sorting facility. The compliance of the site tremendously improved to more than 80%, however the matter of security in the City's waste facilities is a serious concern due to recurring vandalism and theft.

#### T3.4.1

SOLID WASTE SERVICE DELIVERY LEVELS: HOUSEHOLDS				
Description	2018/19	2019/20	2020/21	2021/22
	Actual	Actual	Actual	Actual
<b>Solid Waste Removal: (Minimum level)</b>				
Removed at least once a week	24 955	26 846	157 392	157 392
Minimum Service Level and Above sub-total	24 955	26 846	157 392	157 392
Minimum Service Level and Above percentage	89,9%	89,9%	71,1%	70,5%
<b>Solid Waste Removal: (Below minimum level)</b>				
Removed less frequently than once a week	655	547	2012,11	2 012
Using communal refuse dump	865	846	6 707	6 707
Using own refuse dump	655	547	46 949	46 949
Other rubbish disposal	502	952	3 130	3 130
No rubbish disposal	112	123	7 154	7 154
Below Minimum Service Level sub-total	2 790	3 015	63 942	65 953
Below Minimum Service Level percentage	10,1%	10,1%	28,9%	29,5%
Total number of households	27 745	29 861	221 334	223 344
				T 3.4.2

HOUSEHOLDS - SOLID WASTE SERVICE DELIVERY LEVELS BELOW THE MINIMUM						
Description	2018/19	2019/20	2020/21	2021/22		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
Formal Settlements						
Total households	100 000	100 000	100 000	2012,112	2012,112	2012,112
Households below minimum service level	25 000	25 000	25 000	1416,52	1416,52	1416,52

HOUSEHOLDS - SOLID WASTE SERVICE DELIVERY LEVELS BELOW THE MINIMUM						
Description	2018/19	2019/20	2020/21	2021/22		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
Proportion of households below minimum service level	25%	25%	25%	70,40%	70,40%	70,40%
Informal Settlements						
Total households	100 000	100 000	100 000	63 942	63 942	63 942
Households ts below minimum service level	25 000	25 000	25 000	43 847	43 847	43 847
Proportion of households ts below minimum service level	25%	25%	25%	68,57%	68,57%	68,57%
T 3.4.3						

### Households - Solid Waste Service Delivery Levels below the minimum standards

WASTE MANAGEMENT SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2019/2020		2020/2021			2021/2022	2022/2023	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Provision of weekly collection service per household (HH)	% of known informal settlements with access to refuse removal	100%	100%	100%	100%	100%	100%	100%	100%
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *Current Year' refers to the targets set in the Year 0 Budget/IDP round. *Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i></p>									T 3.4.4

EMPLOYEES: SOLID WASTE MANAGEMENT SERVICES					
Job Level	Year 2020/2021		Year 2020/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 – 3	587	601	556	45	7.5%
4 – 6	31	44	31	13	29.5%
7 – 9	88	92	83	9	9.8%
10 - 12	12	14	12	2	14.3%
13 - 15	1	3	2	1	33.3%
16 - 18	3	4	3	1	25.0%
19 - 20	1	5	3	2	40.0%
<b>Total</b>	<b>723</b>	<b>763</b>	<b>690</b>	<b>73</b>	<b>9.6%</b>
<p><i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.4.5</i></p>					



EMPLOYEES: WASTE DISPOSAL AND OTHER SERVICES					
JOB LEVEL	YEAR 2020/2021	YEAR 2021/2022			
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
0 – 3	587	601	556	45	7.5%
4 – 6	31	44	31	13	29.5%
7 – 9	88	92	83	9	9.8%
10 - 12	12	14	12	2	14.3%
13 - 15	1	3	2	1	33.3%
16 - 18	3	4	3	1	25.0%
19 - 20	1	5	3	2	40.0%
<b>Total</b>	<b>723</b>	<b>763</b>	<b>690</b>	<b>73</b>	<b>9.6%</b>

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.4.6*

FINANCIAL PERFORMANCE 2021/2022: SOLID WASTE MANAGEMENT SERVICES					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
<b>Total Operational Revenue</b>	<b>500 528</b>	<b>526 919</b>	<b>538 729</b>	<b>546 533</b>	<b>4%</b>
Expenditure:					
Employees	230 074	233 488	228 993	228 993	2%
Repairs and Maintenance	10 906	11 532	10 230	10 230	-6%
Other	222 233	131 907	246 497	247 226	42%
<b>Total Operational Expenditure</b>	<b>463 213</b>	<b>376 927</b>	<b>485 721</b>	<b>486 449</b>	<b>18%</b>
<b>Net Operational Expenditure</b>	<b>(37 315)</b>	<b>(149 992)</b>	<b>(53 009)</b>	<b>(60 084)</b>	<b>-59%</b>

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.4.7*

FINANCIAL PERFORMANCE 2021/2022: WASTE DISPOSAL AND OTHER SERVICES					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
<b>Total Operational Revenue</b>	<b>2 108</b>	<b>7 494</b>	<b>7 494</b>	<b>2 607</b>	<b>-187%</b>
Expenditure:					
Employees	17 402	14 545	15 955	15 955	9%
Repairs and Maintenance	0	149	104	104	-44%
Other	37 411	24 981	23 598	23 598	-6%
<b>Total Operational Expenditure</b>	<b>54 813</b>	<b>39 675</b>	<b>39 657</b>	<b>39 657</b>	<b>0%</b>
<b>Net Operational Expenditure</b>	<b>52 705</b>	<b>32 181</b>	<b>32 163</b>	<b>37 050</b>	<b>13%</b>

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.4.8*

## COMMENT ON WASTE MANAGEMENT SERVICE OVERALL

Solid Waste Management Services purchased additional fleet for 2021/2022 financial year for continuous improvement of waste management service. Special initiatives such as Service Delivery on Fridays, Women Caucus Mondays clean-up campaigns, IRRT, EPWP and PEP have intensified efforts towards a cleaner green city. The City has strengthened its waste minimization programmes together with its partners. Two cost recovery buy-back centres have been established in the City through the call to action programme in partnership with the BKCoB.

Targets are set based on the approved budget, hence targets set on the IDP will be achieved within the approved budget. Should there be any variance, budget adjustment are done through the mid-year budget adjustment process.

T 3.4.10

### 3.5 INTRODUCTION TO HOUSING

Section 26 (1) of the Constitution states that:

- South Africans have a right to access sustainable housing.
- The South African Government must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right.
- No one may be evicted from their home, or have their home demolished, without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions.

BCMM undertakes to prioritise housing and related services, identify and designate land for human settlements development, initiate, coordinate, facilitate, promote and enable appropriate human settlements development as mandated by the Constitution of the Republic of South Africa. The BCMM Human Settlements Directorate also takes steps to ensure that residents of its area have access to sustainable housing on a progressive basis. Furthermore, to ensure that the environment in which they are living is of good quality of life with good health and safety standards.

The sustainable development of affordable and well-located rental and social housing stock for the urbanising, speedily growing, mobile (migrant) and urban population within the inner city and other locations close to economic opportunities is a priority. It should be noted that a major challenge for BCMM has been a lack of abundantly well-located and affordable land for human settlement creation.

BCMM needs to have a land acquisition plan in place. Public land is vested in the state and it has proven to be a very difficult exercise to access state land as compared to accessing privately owned land. A typical example is land in Reeston that could yield 66 housing units - BCMM has been battling to get the land released to the municipality by the state.

Purchasing for more land by BCMM needs to be prioritized. Land release is further impeded by various pieces of legislation and legal procedures related to the alienation of land, difficulties in accessing state-owned land and the constitutional imperatives impacting on the acquisition of private land.

As an attempt to tackle this challenge, BCMM engaged the Housing Development Agency (HDA) and entered into a protocol agreement that will yield land release and acquisition. In November 2013, the protocol agreement between BCMM and HDA was signed. However, interventions need to be made to improve the relationship between the two government institutions for the agreement to yield positive results.

The slow pace of land release and transfer of ownership to BCMM is taking longer than anticipated. These challenges cause delays in the desired pace to upgrade informal settlements through provision of fully serviced sites and building of adequate housing for homeless, destitute residents and backyard dwellers in the city. There is an urgent need to unlock all land parcels to improve service delivery.

BCMM needs a paradigm shift in providing mostly houses to families residing in informal settlements. However, this has created animosity between households who are residing in back-yard shacks and to those who are blue card holders. The Human Settlements Directorate has undertaken to change its strategy by attempting to strike a balance in providing houses to families in informal settlements, those residing in back-yard shacks and blue card holders.

The metro has about 110,400 prospective beneficiaries that are expressed in the National Housing Needs Register (NHNR). In respect of informal settlements, the Municipality has about 70,400 households residing in informal settlements.



The Directorate of Human Settlements, Spatial Planning and Development and Infrastructural Services Directorates works hand in hand with the Informal Settlements Upgrading Programme (ISUP).

The Directorate of Human Settlements service delivery is measured according to the number of top structures completed, number of fully serviced sites provided with water and sanitation and the number of beneficiaries registered for housing opportunities.

In the 2021/2022 financial year, the Directorate completed 213 top structures, 322 internal services and 2,024 beneficiaries were registered in the NHNR. The NHNR is the planning tool that the Directorate of Human Settlements uses when planning human settlement development for future projects. The Directorate conducted 20 Housing Consumer Education sessions in various wards as an attempt to educate prospective beneficiaries about all Human Settlement programmes and policies in terms of qualification criteria and about the processes that lead to ownership, management and maintenance of a house. The Beneficiary Administration Unit continues beneficiary registration in all Provincial Human Settlements approved projects (Housing Subsidy Scheme) HSS.

Furthermore, the guide and road map in terms of human settlement goals, the Integrated Sustainable Human Settlement Plan (ISHSP) was submitted to all three Council committees for consideration and approval. It was subsequently approved and adopted by Council in June 2019. The ISHSP was developed to be a human settlement blue-print and guide for implementing different projects within the metro. Furthermore, the Integrated Sustainable Human Settlement Plan is an overarching plan that integrates a strategy to deliver a variety of accommodation types within the framework of infrastructure, transport, economic and social development and initiatives as prioritised and spatially defined.

The execution of the ISHSP requires the classification of various projects, plans and their objectives. In order to meet the objectives of these projects there needs to be funding allocated by appropriate funding bodies, which are set up either within municipal structures or at provincial or national spheres. The ISHSP undertakes the role of defining broadly the nature and cost of capital investments necessary for the implementation of the ISHSP.

During 2021/2022 financial year, the Directorate of Human Settlements managed to complete 213 top structures and 322 internal services in the following projects:

<b>Top-structures Annual Target</b>	<b>Areas where Top-structures were built</b>	<b>Total Delivered</b>	<b>Balance of undelivered Top structures carried over to 2022/2023 Financial year</b>
420	Potsdam Village	162	
	Majali	21	
	Nkqonqweni	30	
<b>Total Delivered</b>		<b>213</b>	<b>207</b>
<b>Internal Services Annual Target</b>	<b>Areas where basic internal services were provided</b>	<b>Total Delivered</b>	<b>Balance of undelivered Internal Services carried over to 2022/2023 Financial year</b>
800	Reeston Phase 3 stage 2	62	
	Daluxolo	64	
	Phakamisa South	94	
	Amalinda Co-opt	47	
	Sisulu	33	
	Ilitha	22	
<b>Total Delivered</b>		<b>322</b>	<b>478</b>

All of the above-mentioned housing projects were prioritised to have them started, deliver both basic services and top structures/housing units to people residing in the informal settlements. The shortfall of 207 top-structures on the annual target, will be carried over to the 2022/2023 financial year delivery plan. The Housing Development Agency was approached to work under BCMM to improve the pace of housing delivery. Massive construction contracts are expected to deliver more housing opportunities to make up for the deficit experienced in the 2021/2022 financial year. The following key priorities went through design specification and procurement process in preparation for implementation:

a. Mdantsane Zone 18 cc:	:	1 500 top structures
b. Peelson Housing Project	:	598 top-structures
c. Reeston Phase 3 stage 2	:	450 top-structures
d. Tyutyu	:	200 top-structures
e. Ilitha North	:	160 top-structures
f. Mdantsane Cluster 2	:	366 top-structures

The above-mentioned housing units are expected to commence from the 2<sup>nd</sup> quarter of the 2022/2023 financial year. About 400 top-structures/housing units from the ones listed should be completed and handed over to the rightful beneficiaries before the end of the last quarter.

### IMPACT

The progress made in providing 213 top structures and 322 serviced sites has major impact on the programme of moving people from dense and health hazardous informal settlements where individuals are currently sharing ablution facilities and exposed to numerous opportunistic diseases. The planning processes, engagement with National and Provincial Departments of Human Settlements including Housing Development Agency, will yield positive results in terms housing provision to 1,600 people and jobs creation opportunities. During construction of internal services and houses, social economic activities made a major impact on people's lives. 586 job opportunities were created and skills developed.

#### T.3.5.1

PERCENTAGE OF HOUSEHOLDS WITH ACCESS TO BASIC HOUSING			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2018/19	172,576	112,576	65,2%
2019/20	219,281	114,995	52,4%
2020/21	223,568	162,068	72,4%
2021/22	233,400	163,000	69,8%
T 3.5.2			

HOUSING SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Service Indicators		*Previous Year	*Previous Year	*Previous Year	*Current Year	*Current Year	*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To promote an integrated spatial form	Number of subsidised housing units completed	400	468	400	420	213	n/a	n/a	n/a
To promote an integrated spatial form	Number of formal sites serviced	700	414	700	800	322	n/a	n/a	n/a

HOUSING SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Housing Developments located in quality environments and close to economic opportunities	Number of beneficiaries registered for housing opportunities	1,,600	1,714	1,600	2,010	2,024	n/a	n/a	n/a

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*\*Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role. T3.5.3

EMPLOYEES: HOUSING SERVICES					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 – 3	12	12	12	0	0%
4 – 6	6	7	5	2	28.6%
7 – 9	28	29	28	1	3.4%
10 - 12	9	8	8	0	0%
13 - 15	7	8	7	1	12.5%
16 - 18	3	3	3	0	0%
19 - 20	2	2	2	0	0%
Total	67	69	65	4	5.8%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.5.4

FINANCIAL PERFORMANCE YEAR 2021/2022: HUMAN SETTLEMENTS SERVICES					
Details	Year -2020/2021	Year 2021/2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>738</b>	<b>100 185</b>	<b>208 169</b>	<b>2 764</b>	<b>-3525%</b>
Expenditure:					
Employees	36 306	37 708	37 488	37 488	-1%
Repairs and Maintenance	485	422	422	422	0%
Other	7 385	109 486	215 854	10 373	-955%
<b>Total Operational Expenditure</b>	<b>44 176</b>	<b>147 616</b>	<b>253 764</b>	<b>48 283</b>	<b>-206%</b>
<b>Net Operational Expenditure</b>	<b>43 439</b>	<b>47 431</b>	<b>45 596</b>	<b>45 519</b>	<b>-4%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.5.5

CAPITAL EXPENDITURE YEAR2021/2022: HOUSING SERVICES					
Capital Projects	Year2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>292 385</b>	<b>235 847</b>	<b>229 670</b>	<b>-27%</b>	
Office Furniture and Equipment (Directorate)	500	500	287	0%	500
Amalinda 179 Military Veterans	2 000	–	–	0%	2 000
Cluster 3	5 000	200	171	0%	5 000
Potsdam Ikhwezi Block 2	1 800	–	–	0%	1 800
Potsdam North Kanana	10 000	200	–	0%	10 000
Duncan Village Proper	1 000	–	–	0%	1 000
Mdantsane Zone 18 CC Phase 2	12 000	22 143	22 143	46%	12 000
Amalinda Co- Op	6 000	8 152	8 152	26%	6 000
Cluster 1	15 000	16 338	16 338	8%	15 000
Cluster 2	19 000	17 971	17 971	0%	19 000
Duncan Vill Comp Site	1 000	–	–	0%	1 000
Braelyn Ext 10	2 000	1 729	1 559	0%	2 000
Tyutyu Phase 3	5 085	4 665	4 410	0%	5 085
Westbank Restitution	9 000	951	951	0%	9 000
C Section & Triangular Site	2 000	–	–	0%	2 000
D Hostel	15 000	181	–	0%	15 000
Ford Msimango	500	–	–	0%	500
N2 Road Reserve	1 000	–	–	0%	1 000
Hani Park- Water	5 000	198	198	0%	5 000
Hlalani Water	5 000	916	916	0%	5 000
Phola Park- Water	5 000	491	430	0%	5 000
Potsdam Ikhwezi Block 1	3 000	3 729	3 721	0%	3 000
Berlin Lingelitsha- Phase 1- Water	5 000	3 459	3 459	0%	5 000
Ilitha Sportfield- Water	5 000	954	928	0%	5 000
Empilisweni- Water	5 000	970	961	0%	5 000
Matsheni Park- Water	5 000	1 500	1 486	0%	5 000
Khayelitsha- Water	5 000	1 500	1 471	0%	5 000
Xhwitinja- Water	2 000	–	–	0%	2 000
Kwa Tshatshu- Water	5 000	–	–	0%	5 000
Ginsberg- Water	5 000	595	557	0%	5 000
Slovo Park- Water	1 000	–	–	0%	1 000
Ekuphumleni- Water	1 000	–	–	0%	1 000
Ethembeni- Water	1 000	0	–	0%	1 000
East Bank Restitution	5 000	–	–	0%	5 000
Reeston Phase 3 Stage 2	15 000	30 455	30 455	51%	15 000

CAPITAL EXPENDITURE YEAR2021/2022: HOUSING SERVICES					
Capital Projects	Year2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Nelson Mandela 102 Project- Water	1 000	49	–	0%	1 000
Nondula- Water	2 000	1 000	868	0%	2 000
Majorantiyeni- Water	2 500	–	–	0%	2 500
Boxwood Project	12 500	40 000	40 000	69%	12 500
CNIP Victims Project- Cambridge West	30 000	6 576	6 576	0%	30 000
Reeston Phase 3 Stage 3	2 000	–	–	0%	2 000
Phakamisa South	5 000	5 251	5 251	5%	5 000
Ilitha 49 Sites	5 000	6 596	6 536	24%	5 000
Dimbaza Shuter Houses	5 000	–	–	0%	5 000
Mzamomhle- Peoples Housing Process	500	9 688	9 688	95%	500
Parkhomes for Destitute & GBV Victims	4 000	4 869	4 869	18%	4 000
Ziphunzana Bypass Relocation Site (TRA's)	15 000	3 561	3 561	0%	15 000
Mdantsane Erf 81,87, 88 relocation unit	5 000	24 885	24 885	80%	5 000
Fynbos Relocation Site Unit	2 000	3 079	3 079	35%	2 000
Fynbos C/O	–	–	(4 704)	0%	–
Haven Hills TRU	13 000	–	–	0%	13 000
Hemingways Informal Settlements	1 000	26	26	0%	1 000
Silvertown	1 000	–	–	0%	1 000
Lillyvale- Roads	–	6 810	6 810	100%	–
Phakamisa South- Sewer	–	5 662	5 662	100%	–
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.5.6</i>					

#### COMMENT ON THE PERFORMANCE OF THE HUMAN SETTLEMENTS SERVICE OVERALL:

There are about 70,400 informal settlement structures located in more than 154 informal settlements within the metro. The City is in the process of procuring a service provider for Informal Settlement Study Review. The review will assist BCMM with planning and budgeting purposes. The highest density and number of informal settlement structures is located in Duncan Village. The current data reading backyard shacks is about 40,000 in BCMM, with the highest numbers being in the greater East London area and Mdantsane and Potsdam areas. The Directorate of Human Settlements will budget for a study that will review the data of backyard shacks.

- The City is currently involved in the following priority housing programmes:
- Emergency housing programme; assisting ECDoHS which is the leading stakeholder.
- Upgrading of informal settlement programme.
- Rural housing subsidy programme.
- Project linked subsidy programme.
- Disposal of municipal housing stock (discount benefit scheme).
- Social Housing support programme and Consumer Education.
- Beneficiary Administration.
- Policy development to facilitate improved service delivery.

It is the function of BCMM's Human Settlements Directorate to provide adequate shelter to all residents, presently residing in informal settlements or in formal housing through an incremental process. This will result in those currently receiving a sub-economic RDP level of service receiving full level of RDP or higher level of services.

However, owing to the extent of the housing to be delivered and the income levels of beneficiaries, the impact of this housing programme will be significant both in terms of land acquisition, state land transfer, water / sanitation services provisions (extent of infrastructure required to support such development) and the sustainability of the Municipality in maintaining such services (most beneficiaries of the housing programme will more than likely not be able to afford the higher levels of service).

Various housing projects were implemented in the Metro with the support of the Provincial Department of Human Settlements implementing some of the projects within BCMM's area of jurisdiction. These projects are geographically scattered in the following areas:

- East London
- Mdantsane
- Reeston
- Potsdam
- King William's Town
- Rural areas

BCMM engaged the National Department of Human Settlements to assist the municipality in accelerating the eradication of informal settlements. The National Department of Human Settlements made a budget available for Informal Settlement Upgrading. Informal Settlement Upgrading therefore means changing the status of illegal structures into some form of legality, and by so doing, it alleviates housing statistics.

Furthermore, upgrading also requires the recognition of the following three conditions: 1) Property rights 2) Property values and 3) Physical characteristics of the basic assets and their impact on each other. Over and above the legal perspective of upgrading, it usually addresses the issue of unavailability or improvement of infrastructural services.

## **OVERVIEW OF HUMAN SETTLEMENTS SERVICE DELIVERY**

Despite the challenges of staff deficit that deliver in full swing in various programmes aiming at improving lives of people residing in informal settlements, BCMM's Human Settlements Directorate continues impacting the lives of people.

Through intensive engagements with the National and Provincial Department of Human Settlements, significant progress is being made toward achieving level 2 housing delivery accreditation in the 2022/2023 financial year. Once this matter is resolved, the turn around time of BCMM housing delivery will drastically improve.

The protocol agreements concluded with Housing Development Agency are expected to add value in the efforts displayed by BCMM infrastructure and housing delivery at a greater scale than in previous financial years.

The upgrading of informal settlements is also picking its pace, there are efforts that are being made towards reviewing the current study on informal settlement areas that report about 154 informal settlements. Once the review has been concluded, budgeting and planning for the upgrading of informal settlements will improve.

There are plans in place for establishing an Informal Settlements Upgrading Unit that will be capacitated with trained staff members within Human Settlement Directorate. This is another effort to improve the efficiency in planning and execution of informal settlements upgrading projects.

Targets are set based on the approved budget, hence targets set on the IDP are going to be achieved within the approved budget. Should there be any variance, budget adjustment is done through the mid-year budget adjustment process.

T3.5.7



### 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

#### INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

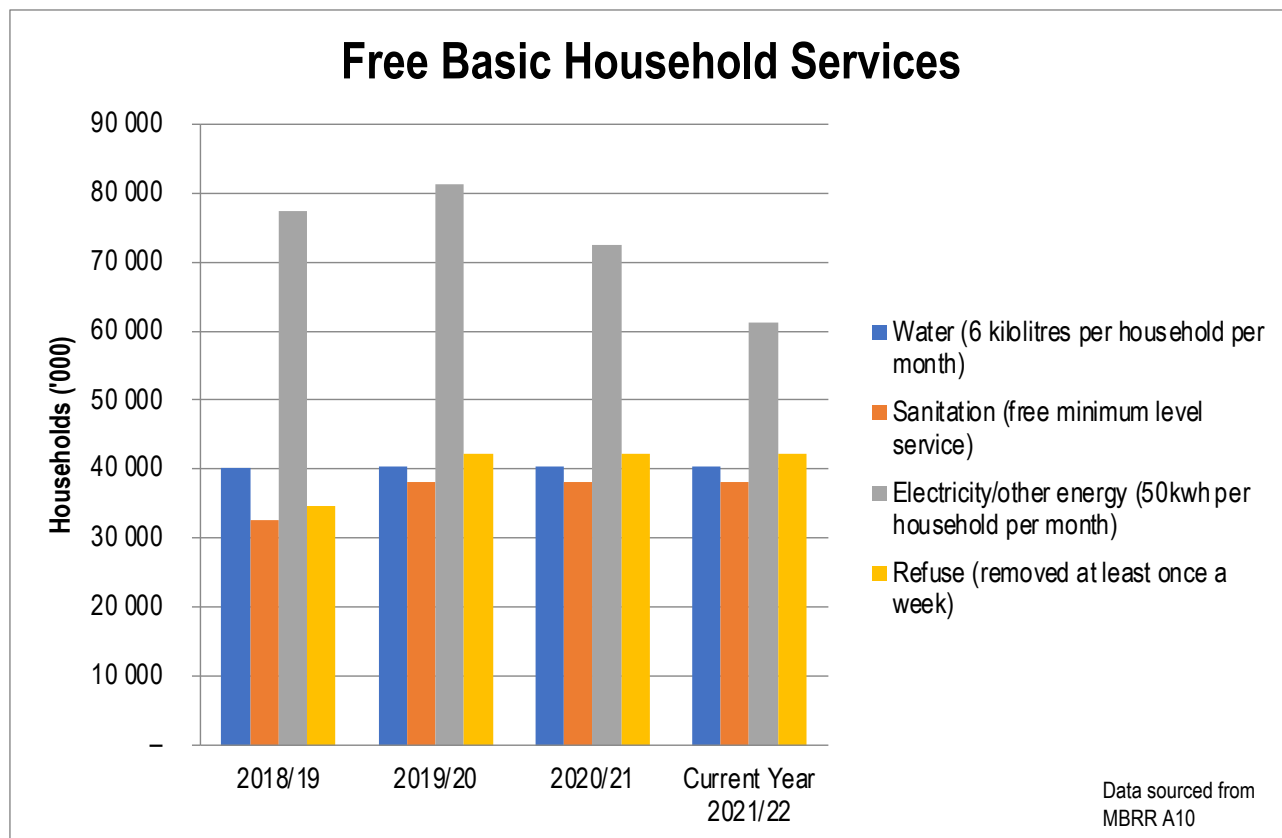
In terms of its Constitutional obligation, BCMM provides a monthly indigent subsidy to registered indigent customers. BCMM has an Indigent Support Policy and By-law in place that governs the application process and financial aspects. Council reviewed the Indigent Support Policy for 2021/22. For the period 2021/22, the policy stipulates and prescribes the qualifying criteria for a domestic household based on gross household income equal to two social grants per month (total being R4,020 for 2021/2022) or property value R150,000 or less. The subsidy relates to electricity (50kWh), water (6kl), refuse removal, sanitation, property rates. Every month, with the monthly billing, the indigent subsidy is granted on the Indigent Beneficiaries' accounts. For free basic electricity, consumers claim their 50kWh every month via the vending system.

Table T3.6.2 and T3.6.3 below reflect the split between the different services related to the urban register. The figures reflect the actual numbers of subsidies granted per service. The grand total, as reflected in the table, is the sum of urban and rural (electricity) registered indigent customers. T 3.6.1

#### INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

In terms of its Constitutional obligation, BCMM provides a monthly indigent subsidy to registered indigent customers. BCMM has an Indigent Support Policy and By-law in place that governs the application process and financial aspects. Council reviewed the Indigent Support Policy for 2021/22. For the period 2021/22, the policy stipulates and prescribes the qualifying criteria for a domestic household based on gross household income equal to two social grants per month (total being R4,020 for 2021/2022) or property value R150,000 or less. The subsidy relates to electricity (50kWh), water (6kl), refuse removal, sanitation, property rates. Every month, with the monthly billing, the indigent subsidy is granted on the Indigent Beneficiaries' accounts. For free basic electricity, consumers claim their 50kWh every month via the vending system. Table T3.6.2 and T3.6.3 below reflect the split between the different services related to the urban register. The figures reflect the actual numbers of subsidies granted per service. The grand total, as reflected in the table, is the sum of urban and rural (electricity) registered indigent customers.

##### T 3.6.1



Free Basic Services To Low Income Households											
	Number of households										
	Total	Households earning less than R1,100 per month									
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse			
		Total	Access	%	Access	%	Access	%	Access	%	
2018/19	79 636	79 636	41 656	52%	43 064	54%	64 196	81%	45 195	57%	
2019/20	51 547	51 547	36 263	70%	36 186	70%	49 572	96%	39 644	77%	
2020/21	50 430	50 430	45 849	91%	40 718	81%	47 915	95%	44 934	89%	
2021/22	48 039	48 039	43 798	91%	40 738	85%	47 459	99%	43 453	90%	
T 3.6.3											

Financial Performance Year 0: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2020/2021	2021/2022			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	173 789 125	193 556 599	193 556 599	195 015 414	1%
Waste Water (Sanitation)	61 503 070	93 798 637	93 798 637	73 090 234	-28%
Electricity	37 515 847	76 917 743	76 917 743	50 947 130	-51%
Waste Management (Solid Waste)	110 803 192	158 954 695	158 954 695	133 479 195	-19%
Total	383 611 234	523 227 674	523 227 674	452 531 973	-16%
T 3.6.4					

Free Basic Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2020/2021		2021/2022		Year 1	Year 3		
		Target	Actual	Target	Actual		Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	2022/2023 (viii)	2023/2024 (ix)	2024/2025 (x)
Service Indicators (i)	(ii)								
<b>Service Objective xxx</b>									
Provision of Free Basic Services to indigent households	Percentage of the municipality's operating budget spent on free basic services to indigent households	8,00%	6,05%	8,00%	5,00%	6,60%	5,00%	5,00%	6,00%
Provision of Free Basic Services to indigent households	Free Basic Electricity provision levels as per percentage of total residential electricity provision (in terms of MWh)	12,00%	11,28%	12,00%	10,00%	10,11%	10,00%	10,00%	10,00%
<small>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangements by municipalities in which IDPs play a key role.</small>									
T 3.6.5									

## COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

For 2021/22, the policy stipulates and prescribes the qualifying criteria for a domestic household based on gross household income equal to two social grants per month (total being R4,020 for 2021/2022) or property value of R150,000 or less. The subsidy relates to electricity (50kWh), water (6kl), refuse removal, sanitation, and property rates. Every month, with the monthly billing, the indigent subsidy is granted to Indigent Beneficiaries' accounts. Customers claim their 50kWh every month for free basic electricity via the vending system.

The indigent support policy intends to assist the beneficiary with basic services and rehabilitate the beneficiary to exit the indigent support provision. Annually the municipality has been provided with an equitable share from the National Government that funds the monthly provision of Free Basic Services to the beneficiary.

The actual vs budget performance is outlined in T3.6.4 above.

T 3.6.6



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component B: Road Transport**

## COMPONENT B: ROAD TRANSPORT

### INTRODUCTION TO ROAD TRANSPORT

#### Strategy

To develop an Integrated Public Transport Network Plan (IPTN) that covers the needs of the entire City. The IPTN also includes the development of the universal access development plan that ensures that the needs of the special groups are incorporated into the IPTN.

#### Priorities

Due to budget constraints, the Mdantsane East London Development Corridor (MELD) has been prioritised for planning and implementation. The MELD was also identified as a priority in 2010 during the Bus Rapid Transport System (BRT) era. The draft business plan for the MELD corridor was completed in October 2019 and presented to the National Department of Transport. The business plan proposed that 24 buses be procured for the MELD corridor to work in parallel with taxis. This decision was taken after considering various factors, such as the co-funding required by the municipality, revenue anticipated from commuters and the capital funding from the National Department of Transport to ensure the sustainability of the new bus service under IPTN.

The 24 buses that were proposed were going to be operated by affected taxi and bus operators. The presentation of the draft MELD corridor business plan was made to the affected operators as part of information sessions towards the negotiations. The bid documents for the procurement of specialist services for the negotiations, namely, Transport Specialists, Financial Specialists, and Legal Advisors, were completed by November 2019. However, the procurement process had to be suspended after the municipality was informed in December 2019 that the Public Infrastructure Grant would be suspended from July 2020 for three years.

Along the MELD Corridor, two projects for upgrading infrastructure were identified, namely the Qumza Highway and the Mdantsane Access Road from the Mtsotso grave site to Vergenoeg, to meet the design standards of the grant.

The upgrading of the Qumza highway commenced in September 2018, with a 30-month construction period ending in March 2021. The sections of the road from NU12 (Mazidlekaya) to NU11A was the first section to be completed and opened to traffic in August 2019. The second section from NU11A to NU9 (Crossroads Intersection) was the second section to be completed and was opened to traffic in December 2019. The third section from NU9 (Crossroads Intersection) to NU6 (Mdantsane Mall Entrance) was completed in June 2020. The Contractor completed the project eight months ahead of schedule.

The second project, the Mdantsane Access Road portion, is at the design stage, and the preliminary design stage was completed as of June 2020. The detailed design of the road was completed in June 2022. To reduce pedestrian accidents, a portion of the widening was completed in June 2022 to improve non-motorised transport infrastructure along the section between Arnoldton Station and Crave Meats in the Reeston area.

#### Bus services

Buffalo City Metro Municipality has only five buses in operations providing limited services.

**T 3.7**

### INTRODUCTION TO ROADS

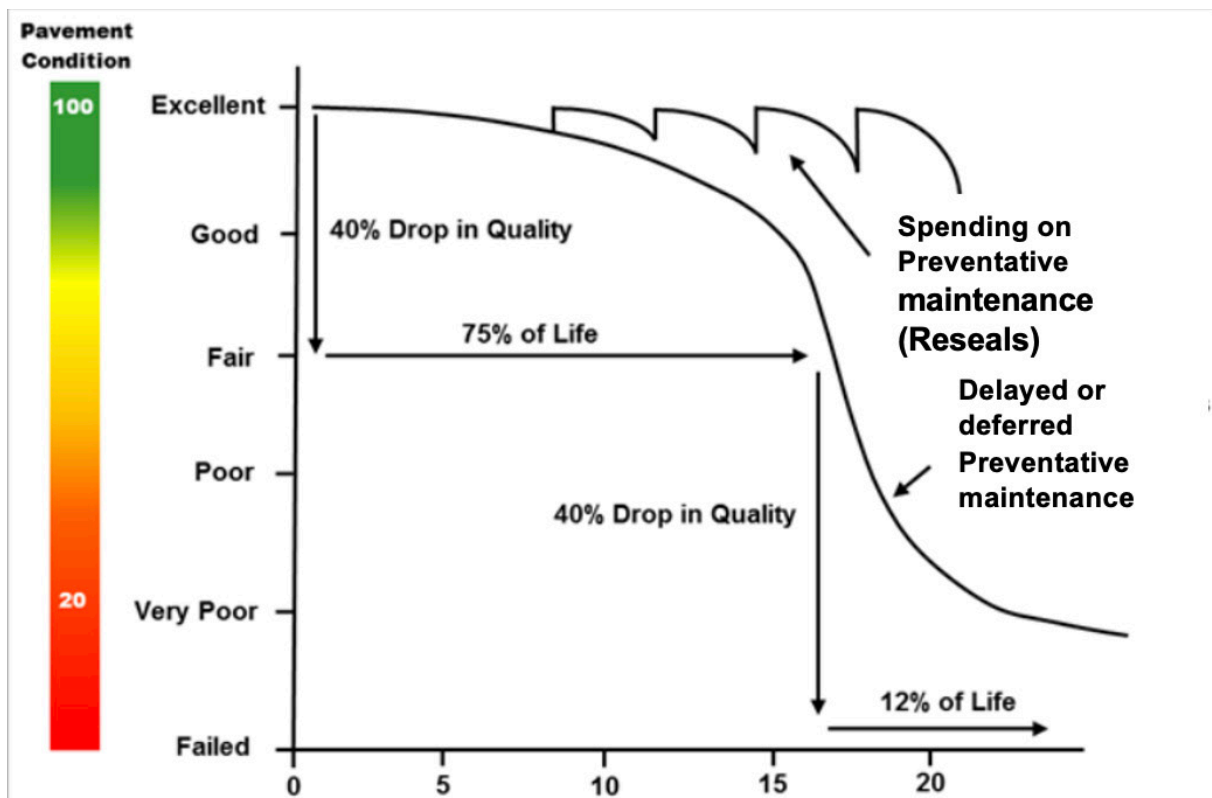
Roads branches core responsibility is to provide a safe all weather roads network for all road users within the municipal area. A good efficient roads network is key to economic growth and development of any city. Both investors and individuals alike consider mobility and access as key components before deciding to invest in a city. In good, efficient roads network is the key to the growth and development of a city. Most investors see access as a key factor in determining if investing in a city is viable. Integration of Road, Rail, Sea and Air transportation for goods and services are a key driver of growth.

The Buffalo City Metropolitan Municipality (BCMM) roads network consists of  $\pm$  3321 km of surfaced and gravel roads network. With an estimated replacement cost of R 9,55 Billion. The surfaced roads network which includes Asphalt, Concrete and Block Paved Roads consists of  $\pm$  1692km of roads with an estimated replacement cost of  $\pm$  R 7.1 Billion and a Gravel roads network of  $\pm$  1629km with an estimated replacement cost of R 2,45 Billion.

The Roads Branch had an annual capital budget allocation of R 366.4 Million for upgrading of roads, rehabilitation and resurfacing of surfaced roads, and regravelling of rural roads. An amount of R 97 Million was allocated under the operational budget for the maintenance of existing roads and road furniture.

The appointment of a professional service provider to carry out the compilation of the roads inventory and condition assesment of the roads, stormwater aand bridges is currently with the BAC (Bid Adjudication Committee for consideration) This Pavement management system (PMS) is an important tool for the planning and management of the vast infrastructure network of roads. The condition assesments give a snapshot of the roads at a particular point in time. This enables the municipality to determine the condition and extent of the infrastructure under its control. This aids in determining budget requirements and assists in the identification and prioritisation of projects. These assesments provide valuable information on condition trends such as the rate of deterioration, the most common types of failures, and where they are occurring. The outputs also include the type of interventions required, and where to best utilise the available funding.

Below is a typical deterioration curve for a surfaced road. Preventative maintenance must be carried out on a regular basis to ensure the longevity of the road. 4



The targeted condition range for a roads network is the Good to Fair range with between 5% to 10% of the roads network in a Poor to Very Poor condition at any given time. That is generally indicative of a well maintained roads network. The BCMM Roads network falls outside of these limits, and is in need of an investment of R 300 million per annum in roads rehabilitation and resurfacing to improve the overall condition of the network to acceptable levels.

The costs for roads rehabilitation is far greater than that of resurfacing, therefore it is more economical to invest in the resurfacing and reseal of roads that have structural layers that are still in good condition in order to preserve the layers and reduce rehabilitation costs.

Extended periods of dry weather (Drought) followed by a period of rainfall such as that experienced in December 2021 and January 2022 accelerates the rate deterioration of the road surface as water enters into the road layerworks, and ultimately leads to failures such as potholes, rutting and cracking.

## Urban Roads

The BCMM roads Branch is responsible for the maintenance of all municipal roads within the BCMM boundaries.

The BCMM Roads branch has an annual program of roads rehabilitation and resurfacing. Wards within BCMM are allocated a budget each financial year for roads rehabilitation and resurfacing. This program is aimed at improving the condition of existing urban roads in the metro. Due to the advanced age of the roads network and adverse weather conditions, much of the existing roads network has deteriorated beyond the point where a reseal, or resurfacing action will be adequate. The structural layers of the roads have been affected resulting in more significant works having to be undertaken such as replacing layer works, or even reconstruction which is far more costly and disruptive.

A significant amount of additional funding is required to improve the overall condition of the roads network. Special attention should be given to roads where the structural layers are still in good condition. By resurfacing those roads as a priority, it can save significant additional costs for rehabilitation by protecting the layer works now.

By using the available funding on rehabilitation of roads that have failed means that those roads that can be saved by resurfacing will now also fail and require rehabilitation as well, which is two to three times more costly than resurfacing. Rehabilitation also mean that fewer roads can be done.

A portion of the budget should be set aside for rehabilitation, and the remainder should be only for resurfacing.

## Rural and Informal Roads

The BCMM Roads branch is responsible for the maintenance of all municipal gravel roads within the Metro. It must be noted that access roads to rural villages fall under the control of the Eastern Cape department of Transport.

The roads branch undertakes re-gravelling, spot blading, wet and dry blading of municipal rural roads on an ongoing basis. Rural roads re-gravel and maintenance has an annual budget allocation under the Capital and Operational budgets. The vast Rural roads network, and adverse weather conditions makes it difficult to maintain the network to an acceptable level with the available resources. Gravel roads are by nature maintenance intensive and require re-gravelling every 5 years. The slope of the terrain and rainfall events can significantly reduce the useful life of these roads. The provision of rural roads can also be costly and challenging as the villages are often widely dispersed which makes it a challenge to provide road access, as long sections of road must be constructed at a high capital cost to very few houses.

The Roads branch also assists in maintaining informal roads to provide a basic level of road access to Informal Areas. A Major challenge in providing this service is that there is often very little space left for road access resulting in the need to remove or relocate informal dwellings to make space for the road. The provision of stormwater drainage for the roads in informal areas is often very difficult, as there are informal dwellings located where the drainage is to be located, or the positions where the drains are to discharge are occupied. Informal settlements are often located in areas that are a challenge to access or the terrain makes it very costly to provide roads. Other limiting factors to the provision of road access to informal areas is Land ownership and zoning.

## Roads stakeholders

Although BCMM is responsible for all municipal proclaimed roads within the Municipal boundaries, there is other road authorities that operate within the BCMM boundaries namely:

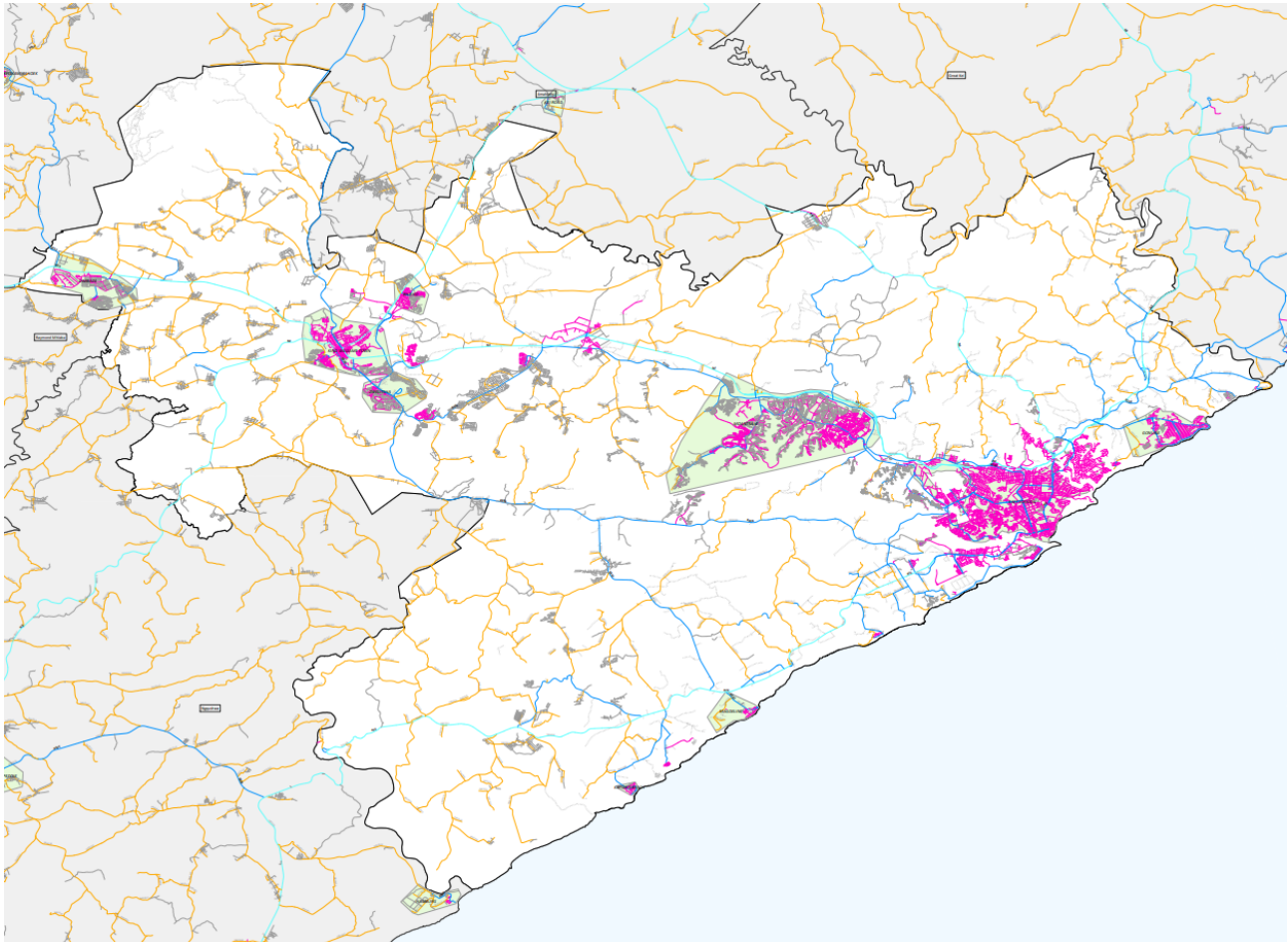
1. Provincial Department of Roads and Transport which is responsible for 472km of surfaced roads and 1083km of gravel roads within the BCMM area.
2. South African National Roads Agency Limited (SANRAL) which is responsible for all the National roads within BCMM such as the N2, N6 and R72.

BCMM has engagements with the Department of Roads & Public Works (DRPW) through the intergovernmental relations forum to address the maintenance and upgrade of provincial roads within the Metro. Many National and Provincial roads have a profound impact on the Metro as the National roads facilitate the transportation of goods, services and people between cities, and to access residential areas within the Metro.



Many of the provincial rural roads are in a very poor condition as well as many of the surfaced provincial roads such as Buffalo Pass (MR00504), East Coast Resorts Rd, R102, Schafli Rd (Dr02737), Quenera Lagoon Rd (Dr02721), R346, Kaysers Beach Access Rd (MR00500), etc that are in need of maintenance and upgrade to facilitate safe and efficient transportation systems in and around the city. The provincial roads department prioritises road works according to criteria set out by the department which in many cases will not correspond with the priorities of the Metro.

Below is a map depicting the roads that fall under the different road authorities within BCMM boundaries.



- light Blue Roads are National Roads (SANRAL)
- Orange Represents Provincial gravel roads
- Dark Blue Represents Provincial surfaced roads
- Light Grey represents Gravel Roads under the control of BCMM.
- Pink represents Municipal Surfaced Roads under the control of BCMM.

### GRAVEL ROAD INFRASTRUCTURE KM

	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2019/2020	1 645	9	13	90
2020/2021	1 637	4	12	90
2021/2022	1629	2	10	80
T 3.7.2				

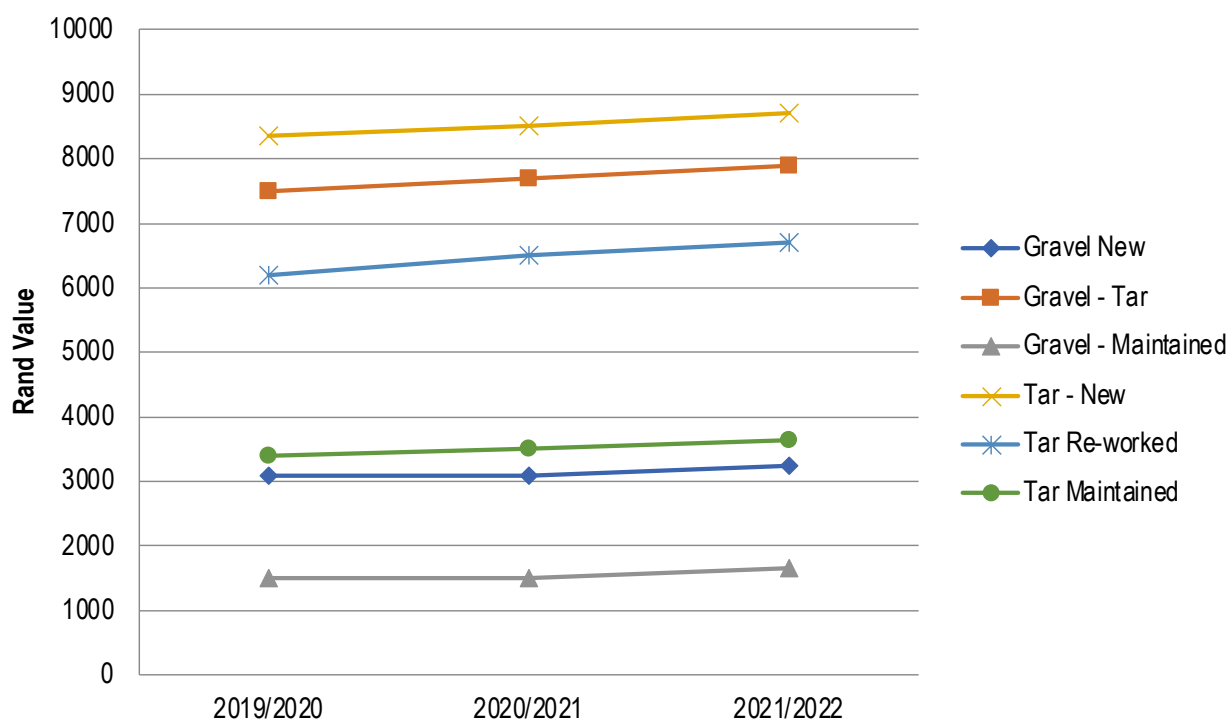
### TARRED ROAD INFRASTRUCTURE KM

	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2019/2020	1 670	13,24	30,74	30,74	956
2020/2021	1 682	12	33	33	750
2021/2022	1 692	10	23	23	680
T 3.7.3					

### COST OF CONSTRUCTION/MAINTENANCE R'000

	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2019/2020	3098	7500	1500	8349	6200	3400
2020/2021	3100	7700	1500	8500	6500	3500
2021/2022	3250	7900	1650	8700	6700	3650
T 3.7.4						

### Road Infrastructure costs



T3.7.5.

## ROAD SERVICE POLICY OBJECTIVES TAKEN FROM IDP

Service Objectives	Outline Service Targets	2020/2021		2021/2022		2022/2023	2023/2024		
		Target	Actual	Target	Actual	Target	Target	Target	
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Following Year	
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Elimination of gravel roads in townships</b>	Kilometers of gravel roads tarred (Kilometers of gravel road remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	Baseline (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)
<b>Development of municipal roads as required</b>	xxx kms of municipal roads developed	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms
TR6.11	Percentage of unsurfaced road graded	4.48% (60km)	4.623% (62)	4.48% (60km)	4.48% (60km)	79,89	4,48% (60km)	4,48% (60km)	4,48% (60km)
TR6.12	Percentage of surfaced municipal road lanes which has been resurfaced and resealed	1,5% (24km)	2,068% (33)	0,94% (15km)	0,94% (15km)	23,024	0,9375 % (15km)	0,9375 % (15km)	0,9375 % (15km)
TR6.13	Km of new Municipal road lanes built	New Indicator			1	5,93	1	1	1
TR6.1/CC6	Km of gravel Roads upgraded to Surfaced Standard	16	12	16	6	10,363	6	6	6

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role. T 3.7.6

EMPLOYEES: ROADS SERVICES					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	159	169	156	13	7.7%
4 – 6	53	56	49	7	12.5%
7 – 9	38	44	40	4	9.1%
10 – 12	31	30	28	2	6.6%
13 – 15	4	10	8	2	20%
16 – 18	3	2	2	0	0%
19 – 20	3	3	3	0	0%
<b>Total</b>	<b>291</b>	<b>314</b>	<b>286</b>	<b>28</b>	<b>8.9%</b>

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.7.7*

FINANCIAL PERFORMANCE 2021/2022: ROAD SERVICES R'000					
Details	2020/2021	2021/2022			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
<b>Total Operational Revenue</b>	<b>12</b>	<b>1 958</b>	<b>6 958</b>	<b>2 021</b>	<b>3%</b>
Expenditure:					
Employees	88 213	96 616	92 637	92 637	-4%
Repairs and Maintenance	118 841	119 467	118 438	114 602	-4%
Other	595 386	301 373	1 028 308	656 016	54%
<b>Total Operational Expenditure</b>	<b>802 440</b>	<b>517 456</b>	<b>1 239 383</b>	<b>863 255</b>	<b>40%</b>
<b>Net Operational Expenditure</b>	<b>802 428</b>	<b>515 499</b>	<b>1 232 425</b>	<b>861 234</b>	<b>40%</b>

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.7.8*

CAPITAL EXPENDITURE 2021/2022: ROAD SERVICES R'000					
CAPITAL PROJECTS	BUDGET	ADJUSTMENT BUDGET	2021/2022		
			ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
<b>Total All</b>	<b>338 290</b>	<b>391 311</b>	<b>376 032</b>	<b>10%</b>	
BOWLS ROAD REHABILITATIONN - WARD 3	1 500	299	292	-414%	1 500
CONSTRUCTION OF ROAD INFRASTRUCTURE	10 000	11 381	11 381	12%	10 000
CONSTRUCTION OF ROAD INFRASTRUCTURE - SANDILE-THUSI ROAD	9 000	10 081	10 079	11%	3 039
REHABILIT OF BCMM BRIDGES AND STORMWATER	10 540	12 270	12 270	0%	1 500

CAPITAL EXPENDITURE 2021/2022: ROAD SERVICES R'000					
CAPITAL PROJECTS	2021/2022				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
REHABILITATION OF BEACONHURST DRIVE	1 000	995	995	0%	2 038
REHABILITATION OF DOUGLAS SMITH HIGHWAY	5 000	5 000	4 986	0%	154 050
REHABILITATION OF SETTLERS WAY	91 250	79 793	79 793	0%	1 000
REHABILITATION OF ZIPHUNZANA BYPASS	1 500	1 000	995	-51%	2 038
REHABILITATION OF SETTLERS WAY	–	72 631	72 631	100%	
ROADS PROVISION	83 000	82 368	82 279	-1%	75 310
RURAL ROADS	43 000	48 551	48 529	11%	94 619
UPGRADING OF MDANTSANE ROADS - CLUSTER 1	19 500	20 790	20 754	6%	15 616
UPGRADING OF MDANTSANE ROADS - CLUSTER 2	27 000	17 898	13 523	-100%	44 903
UPGRADING OF MDANTSANE ROADS - CLUSTER 3	28 000	19 417	8 702	-222%	7 425
UPGRADE OF NORTH EAST EXPRESSWAY	2 000	2 000	1 986	-1%	4 600
URBAN ROADS	6 000	6 836	6 836	12%	1 281
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.7.9</i>					

The Roads Branch achieved all 4 of the service delivery targets for the 2021/2022 financial year as per the Service Delivery Budget Implementation Plan (SDBIP) targets.

90% of the R 366.4 Million capital budget was spent, there was under expenditure on the Mdantsane Roads project, as it was awarded later than anticipated. 100% of the allocated R 98 Million operating budget was spent.

The Roads Branch has 2 major projects currently being implemented, namely the Rehabilitation and upgrade of Settlers Way and Military Road, and Mdantsane Roads Upgrade Phase 4.

#### **Rehabilitation and upgrade of Settlers Way and Military Roads** **Contract Value: R 461 832 000.00**

The contractual commencement date is 17 May 2021, and the anticipated completion date is 31 July 2023.

The project scope is:

Rehabilitation and upgrading of approximately 7.8km of Settlers Way from The airport intersection to Pontoon Rd Robots. Rehabilitation of the existing road surface, construction of an additional lane of traffic in each direction, Construction of a kerb and gutter, stormwater drainage, sidewalks, public transport facilities and reconfiguration of the existing intersections.

Military road includes the rehabilitation and widening of approximately 2.2Km of Road between Settlers Way and Bank St, including turning lanes, kerbing, stormwater drainage, sidewalks, and intersection upgrades and 2.2km of Military Road in East London, including the reconfiguration of intersections.

Currently the stormwater drainage improvements are nearing completion and the earthworks for the widening of the road is underway between Cotton Rd and Military Rd. The overall completion date is 63%.





### **Mdantsane Roads Upgrade Phase 4B: 246 Million**

The Mdantsane roads upgrade project is for the upgrade of existing gravel roads in Mdantsane to surfaced standards. It is a multi-year multi-phase project aimed at eradicating gravel roads in the residential area of Mdantsane.

Phase 4A is complete

Phase 4B the contractors are currently establishing sites.

The works include:

- a) Earthworks, gravel selected layers, sub-base and base layers with a 30mm asphalt surfacing.
- b) Kerbs, channels and edge beams
- c) Storm water, catch pits and pipework
- d) Sidewalks
- e) Alterations to existing sewer, water and other services where needed.
- f) Cable ducts, Telkom and electrical, where needed.
- g) Finishing of the road reserves.

The Mdantsane roads program has been prioritized due to the historical neglect of the area. Mdantsane is a Suburb of the City and is an urban area which is supposed to have the same level of service as that of other similar urban areas of the city. The upgrade of the existing Gravel roads to surfaced standards was therefore prioritised in order to increase mobility and access to opportunities as well as improve the standards of living in Mdantsane and make it a more attractive area to live.

*T 3.7.10*

### **3.7.B. BCMM MECHANICAL WORKSHOP AND FLEET**

#### **INTRODUCTION TO BCMM MECHANICAL WORKSHOP AND FLEET**

The establishment of the mechanical workshop was based mainly on increasing the average service life and serviceability of the BCMM fleet by conducting inspections; repairing engine failures; repairing mechanical and electrical systems malfunctions; replacing parts and components; repairing body damage. Further, it provides the proper management of assets, optimises the procurement and the disposal of all fleet, manages fleet assets to ensure asset value is maintained and vehicles are kept in a safe, healthy and roadworthy condition as per the National Road Traffic Act and other pieces of legislation.

#### **3.7.B 1 Brief strategy and the steps were taken towards the implementation**

The primary responsibility includes inspecting the vehicle's mechanical components and engine, diagnosing vehicle problems and performing maintenance and repair work on cars, trucks, horticultural and specialised vehicles.

Conduct fleet needs assessment; research on the latest technology; develop efficient & effective utilisation of vehicles for departments such as solid waste; empower youth by creating and training on mechanical-related scarce skills, Recommend for the disposal of obsolete fleet.

Purchasing of Fleet; Monitoring of Fleet; Administrating, registering and licensing of Fleet; Outsourcing of specialised mechanical services.



They are ensuring effective and efficient service delivery by minimizing vehicle downtime and ensuring that vehicles are in a road-worthy condition per the National Road Traffic Act 1996 and other relevant legislation pieces.

### 3.7.B 2 **Major successes achieved in the year 2021/22.**

#### A. Fleet Vote:

1. Procurement of x7 Crew Cab Cage trucks to assist all departments to respond on service delivery requests and to transport workers
2. Procurement of x5 Sedans to assist administrative departments with deliveries
3. Also procured x2 Double cab 4x4 LDV vehicles to access rural areas

#### B. Solid Waste Vote:

4. Procurement of x2 4Ton Crew Cab Cage Tippers for Solid Waste and Enviro Management for green city
5. Procurement of x12 Single Cab LDV vehicles with canopies to assist superintendents

#### C. Enviro Health vote:

6. Procurement of x3 Double Cab 4x2

#### D. Electricity vote:

7. Procurement of Single Cab LDV vehicles with canopies for transporting equipment

### 1.7 B3 **Challenges Faced in Year (2021/22)**

1. Covid-19 negatively affected the performance and productivity of the mechanical workshop due to several reasons such as senior mechanics with comorbidities and some of them reaching retirement age.
2. Major delays in the delivery of vehicle spares due to the E-Procurement system awarding orders to out-of-town service providers.
3. Budget shortfalls need to be improved to address requests from the various departments for water tankers, disposal site equipment and road construction plant.
4. The short supply of new vehicle stock in South Africa due to import challenges on certain vehicle components and the floods in Durban during April 2022, resulted in service providers unable to honour their commitments.
5. Due to an increase in the number of vehicles, more workshop space must be available.
6. Staff shortage due to a moratorium on filling funded vacant posts.
7. Sixty units (vehicles, trucks, yellow plant, tractors and trailers) were identified as absolute and will be deregistered for auction.
8. Budget Office took away the budget to replace accident-damaged vehicles that were written off.
9. A dire need for secured parking or lock-up space for vehicles due to increased theft and vandalism.

### 3.7 B4 Remedial Actions (2021/22)

1. Budget is requested on budget adjustment to address the shortage of vehicles.
2. A request for alternative buildings and/ or bigger pieces of land to address space shortage was submitted to spatial planning and will be escalated to Standing Committee.
3. Staff shortage is addressed by procuring new vehicles with a service plan and extended maintenance plan.
4. An expression of interest for repairs and maintenance contract for three years will alleviate the pressure, bring benefits of preventative maintenance and reduce unplanned downtime as soon as the Bid Committees finalise it.

### 1.7 B5 Service delivery priorities and the impact you have had on them during the 2021/22 financial year.

1. Vehicle availability and reduced vehicle downtime target of 30% to less than 15%.
2. Supply additional vehicles and replace uneconomical vehicles.

### MUNICIPAL FLEET DATA

MUNICIPAL FLEET DATA						
NO	DETAILS	YEAR 19/20	YEAR 20/21		YEAR 21/22	
		ACTUAL	ESTIMATED	ACTUAL	ESTIMATED	ACTUAL
1	SUV'S	6	0	6	1	5
2	LDV'S	603	45	628	26	654
3	Panel Vans	12	0	12	1	11
4	Mini Buses	18	0	18	0	18
5	Trucks (including compactors)	269	19	288	26	314
6	Sedans	241	0	241	6	235
7	Buses	5	0	5	1	4
8	Mobile Libraries	2	1	3	0	3
9	Tractors	52	0	52	0	52
10	Fire Tenders	27	0	27	10	37
11	Trailers	151	0	151	2	153
12	Yellow Plant	43	2	45	2	43





#### Employees: Mechanical Workshop and Fleet

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (full time equivalent)	Vacancies (as % of total posts)
0-3	5	7	7	0	0%
4-6	30	36	28	8	22%
7-9	27	21	13	8	38%
10-12	24	38	22	16	42%
13-15	2	3	2	1	33%
16-18	1	1	1	0	0%
19-20	1	1	1	0	0%
<b>Total</b>	<b>90</b>	<b>107</b>	<b>74</b>	<b>33</b>	<b>30.8%</b>

The total should equate to those included in Chapter 4: Total Employee Schedule. Employees and Posts numbers are as of 30 June. Posts must be established and funded in the approved budget or adjustment budgets. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all positions within the same set (e.g. "senior management"), then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

FINANCIAL PERFORMANCE YEAR 2021/2022: TRANSPORT SERVICES R'000					
Details	2020/2021	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>828</b>	<b>857</b>	<b>857</b>	<b>476</b>	<b>-80%</b>
Expenditure:					
Employees	22 885	25 506	22 176	22 176	-15%
Repairs and Maintenance	3 291	3 748	4 380	4 380	14%
Other	96 619	54 818	40 649	71 293	23%

<b>Total Operational Expenditure</b>	<b>122 795</b>	<b>84 071</b>	<b>67 205</b>	<b>97 850</b>	<b>14%</b>
<b>Net Operational Expenditure</b>	<b>121 967</b>	<b>83 215</b>	<b>66 349</b>	<b>97 374</b>	<b>15%</b>
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.8.5</i>					

<b>CAPITAL EXPENDITURE 2021/2022: TRANSPORT SERVICES R'000</b>					
<b>Capital Projects</b>	<b>2021/2022</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
<b>Total All</b>	<b>79 318</b>	<b>103 058</b>	<b>85 434</b>	<b>7%</b>	
SLEEPER SITE ROAD	7 274	7 274	–	0%	7 274
CITY TO SEA BOULEVARD	3 500	3 500	3 496	0%	6 141
BRIDGE DESIGNS & IMPLEMENTATION	10 000	9 063	9 063	0%	11 063
GUARDRAILS	500	304	294	0%	804
SLEEPER SITE ROAD	15 000	18 659	18 659	20%	58 659
GUIDANCE SIGNAGE	300	300	300	0%	600
SIDEWALKS	3 000	2 533	2 533	0%	5 533
TRAFFIC CALMING	2 000	1 957	1 885	0%	4 957
TRAFFIC SIGNALS	2 000	500	486	0%	3 500
MDANTSANE ACCESS ROAD	6 000	10 000	–	0%	31 034
MDANTSANE ACCESS ROAD	–	19 411	19 411	0%	19 411
QUMZA HIGHWAY PHASE 7 - PHASE 1 & 2	17 700	12 861	12 861	0%	85 944
TAXI RANK INFRAST (ROADS & ABLUTION FAC)	7 000	7 000	6 972	0%	16 500
TAXI/BUS EMBAYMENTS	2 000	2 000	1 925	-4%	3 200
NORTH WEST CORRIDOR	3 044	3 044	3 043	0%	3 044
TRAFFIC SIGNALS - BCMET c/o		487	485	0%	487
BILLIE ROAD UPGRADE		2 919	2 919	0%	2 919
TAXI RANK INFRAST (ROADS & ABLUTION FAC) c/o	–	1 085	1 009	100%	1 085
MARKET SQUARE TAXI RANK c/o	–	161	94	0%	161
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.8.6</i>					

### **3.8. TRANSPORT (INCLUDING VEHICLE LICENCING & PUBLIC BUS OPERATION)**

#### **3.8.1. INTRODUCTION TO TRANSPORT**

The BCMM transport system aims to provide easy access to work, school, community services and recreational activities in a safe, secure, and cost-effective environment. The modes of transport system consist of vehicles, buses, pedestrians, private vehicles and cycling. The municipality developed an Integrated Public Transport Network Plan (IPTN) in July 2018, and main public transport routes and related feeders have been identified.

Further, the IPTN is targeting to reduce the travelling costs of communities from their various locations since the service would be partially subsidised by the National Government. Completed Business Plans for each IPTN corridor will be used as a basis to negotiate with affected operators to initiate the subsidised bus service operations once the grant suspension from July 2020 for three years has lapsed.

The following documents are reviewed periodically to implement the strategy:

- a) **Comprehensive Integrated Transport Plan** - deals with an overall perspective of the BCMM transport planning documents. The plan is currently being updated.
- b) **Non-Motorised Transport Plan** - deals with implementing priority projects for non-motorised transport (sidewalks, bicycle lanes, traffic safety plans).  
The plan for rural non-motorised transport is complete, and several identified pedestrian bridges have been implemented in the last five years. Designs for the remaining bridges have been completed, and implementation will commence when funds are available.
- c) **Traffic Safety Plan** - Reduce the severity of collisions and casualties within its area of operations. The plan is due for review.
- d) **Transport Register** - The latest plan was completed in 2017, describing all the scheduled and unscheduled services operating in, to or from the Buffalo City area and all public transport facilities and infrastructure in the Buffalo City area. The Transport Register includes records of all changes to operating licenses and permits in the Buffalo City area and new ones issued.
- e) **Freight Plan** - To survey the current freight movement and the modes by which such freight is being transported, which has defined certain strategic freight corridors. The plan is due for review.
- f) **Arterial Road Network Development Plan** - Transport Planning is a dynamic process, as forecasting future needs depends on current priorities, planning and development. This was completed in 2016 and is used to assist in the formulation of an implementation programme for the next five years, and as a guide for planning in years beyond. The plan is due for review.
- g) **Public Transport Plan** - This plan assists the City in planning for public transport services and their various systems. The plan has been updated as part of the City's Integrated Public Transport Networks planning.
- h) **Business Plan & Operational Plan** - This plan assists the City in identifying whether it can operate viable public transport and the costs associated with the system. The plan was completed in June 2018.

**The Top 3 Priorities for the year under review include:**

**1) Accessibility**

- a) The Construction of Ncera/New Hope Bridge provided safe and reliable accessibility to the communities in the area to access clinics, schools and public transport.
- b) The Construction of the Ndevana Bridge provided much needed all weather condition to the community of Ndevana. It was a challenge to cross the stream especially when it rains. The bridge provides much needed accessibility.

**2) Mobility**

The municipality is implementing several projects and programmes to improve mobility, and the highlights are as follows:

The upgrading of Mdantsane Access Road from Crave Butchery to Mayibuye Transport Services provides additional mobility to the community of Reeston and surrounding areas, making it safe for pedestrians to move from their homes to places of work.

**3) Safety**

- a) Installation of traffic signals at intersections will improve traffic flow during peak hours. One intersection was installed with traffic signals.
- b) The municipality has an ongoing programme for the construction of traffic-calming measures to provide safety at pedestrian crossings and reduce speed within the internal roads in our community. Forty-three traffic calming measures were completed in the last financial year.
- c) The municipality has an ongoing programme for constructing non-motorised transport paths (sidewalks) to provide safety to pedestrians by separating the road path and non-motorised area. A total of 2.11km were completed in Mdantsane, Zwelitsha and Sweetwaters.



## MAJOR SUCCESSES

The following are considered major successes for the City as these projects will have a significant socio-economic impact on the City:

### 1) Bridges

#### a) Completion of the Umswi Bridge in Amalinda (Ward 16)



#### b) Ncera to New Hope Pedestrian Bridge





## c) Ndevana Pedestrian Bridge



## 2) Sidewalks



Completion of 2.11 km of sidewalks in Mdantsane NU1, Zwelitsha, Sweetwaters & Ilitha.

### 3) Traffic Calming (Speed humps)



Forty-three traffic calming measures (speed humps) were completed

### 4) Guardrails



112m of guardrails were installed in Zwelitsha, Mdantsane and Southernwood.



5) Public Transport Infrastructure



Completed Construction of 3 Taxi/ Bus Embayment's in Sweetwaters & Mdantsane

6) Mdantsane Access Road



Mdantsane Access Road 2km of Road Widening

The City has the following public transport operators:

### **THE TAXI INDUSTRY**

It is well-known that the taxi industry is one of the key stakeholders in the City's public transport sector. The City continuously holds meetings with them, as the biggest stakeholder in the public transport sector of the City, regarding operational issues. There are currently ten taxi associations operating in the metro.

### **BUS OPERATORS**

The City has numerous bus operators, with most being long-distance buses. The Mayibuye Bus Service is a private entity operating on different routes to the City's bus service and has a large number of services within the boundaries of the City. Various bus associations operate within the City. Most of them are within the King William's Town area servicing rural areas. Furthermore, there are long-distance buses providing inter-town services.

### **THE PRASA RAIL SERVICE**

The Metro Rail service carries a large number of commuters that stay along the rail corridor. PRASA plans to upgrade the operating stations and continue carrying the same percentage of commuters until the feeder routes to the train stations have been upgraded as part of the proposed IRPTN system. PRASA has further increased the capacity of its trains between Berlin and East London.

### **KING PHALO AIRPORT**

ACSA operates the City's airport. It provides commercial flights to areas throughout the country, with Johannesburg and Cape Town being the main destinations. Shuttles services are available to commuters from within the airport facility and private car hire.

### **MUNICIPAL BUS SERVICE**

BCMM currently operates a fleet of only five municipal buses. The fleet was reduced from thirty-three buses when Council decided that all buses over fifteen years old should be removed from the service. Scholars predominately use buses. The demand has diminished due to the costs of the fares being higher than the minibus taxi services. The revenue generated has dropped as buses are only used mostly by scholars.

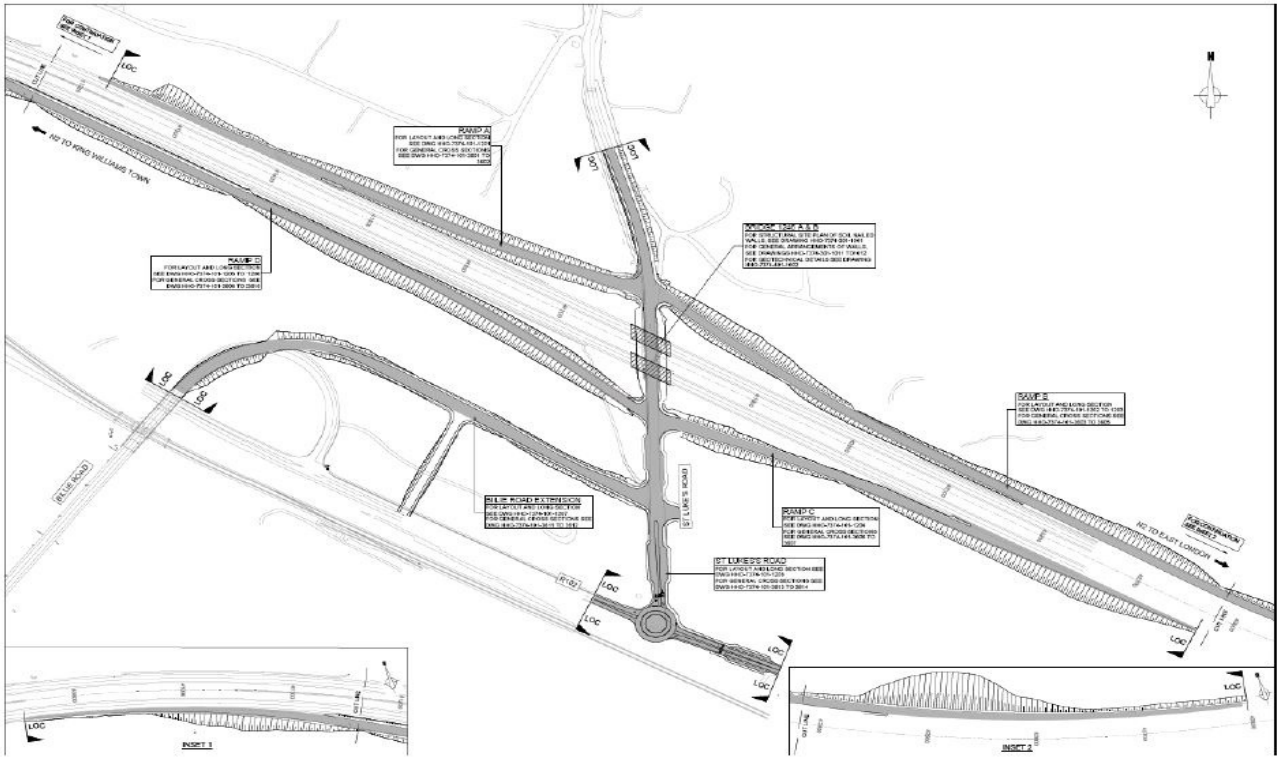
### **MOUNT RUTH NODE**

Mount Ruth was specifically identified in the MELD Corridor study as an area with very high potential for development as a mixed land use node, based on its proximity to the rail line and station, its direct connection with the Mdantsane CBD as well as its potential linkages with the N2 and N6 Freeway systems. This highlighted the need for a more detailed nodal development plan for Mount Ruth and resulted in preparing the Mount Ruth Nodal Precinct Development Plan.

This plan took cognisance of the BCM and Mdantsane Draft Public Transport Plans that were prepared at the same time but also considered future private transport linkages to Mdantsane via Mount Ruth and infrastructure requirements to support Mount Ruth as a development node.

Mdantsane has limited access to the N2 freeway system. This lack of accessibility impacts the area negatively, particularly regarding attracting investment. At the same time, it was recognised that important linkages were missing from the transport network as a whole if the logic of a hierarchical road system is to apply. In order to attract investment through improved accessibility, it was proposed that a road interchange be provided on the N2, which connects with the M16 (Billie Road), which will improve access to the Highway Town Centre and the Newlands access road to the north. The connection to the Newlands access road will ultimately result in a connection to the N6, an important national route to the north.

The Mount Ruth Interchange Preliminary Designs are at an advanced stage and final engagements with the Department of Public Works and SANRAL for final approval so that the design stage can be completed.



T 3.8.1

MUNICIPAL BUS SERVICE DATA					
Details	2020/2021	2021/2022		2022/2023	
	Actual No.	Estimate No.	Actual No.	Estimate No.	
1 Passenger journeys	not available	not available	not available	not available	
2 Seats available for all journeys	various size buses	various size buses	various size buses	various size buses	
3 Average Unused Bus Capacity for all journeys	25%	50%	75%	25%	
4 Size of bus fleet at year end	5	5	5	5	
5 Average number of Buses off the road at any one time	0	1	1	1	
6 Proportion of the fleet off road road at any one time	0	20%	20%	20%	
7 No. of Bus journeys scheduled	8	6	6	6	
8 No. of journeys cancelled	0	1	1	1	
9 Proportion of journeys cancelled	0%	16.67%	16.67%	16.67%	

T 3.8.2

**Concerning T 3.8.2**

Line 6 is calculated by taking the numbers from lines, as follows:  $5/4 \times 100\%$ . The average number of busses off the road is obtained by sampling the number off the road on different days at different times. Line 9 is calculated by taking numbers from lines as follows:  $8/7 \times 100\%$ .

T3.8.2.1



TRANSPORT SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2020 / 2021		2021 / 2022			2022 / 2023		
		Target	Actual	Target	Actual	Target	Actual	Actual	
Service Indicators		*Previous Year		*Pre-vious Year	*Cur-vent Year		*Cur-vent Year	*Cur-vent Year	*Follow-ing Year
		(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
<b>Service Objective xxx</b>									
Extensive invest-ment and develop-ment of infrastruc-ture networks	Number of pe-destrian bridges constructed	0	0	0	3	3	1	1	1
Extensive invest-ment and develop-ment of infrastruc-ture networks	Length of surfaced roads upgraded (km)	2,12	0	0	0	0	0	0	1
Extensive invest-ment and develop-ment of infrastruc-ture networks	Number of speedhumps constructed	50	46	46	40	43	50	50	50
Extensive invest-ment and develop-ment of infrastruc-ture networks	Km of sidewalks constructed	3,5	6,951	6,951	3,776	2,11	3	3	2
Extensive invest-ment and develop-ment of infrastruc-ture networks	Number of Taxi/ Bus Embayments Constructed	2	0	0	3	3	3	3	1
Extensive invest-ment and develop-ment of infrastruc-ture networks	Number of public transport facilities rehabilitated	1	0	0	1	0	1	1	0

T 3.8.3

EMPLOYEES: TRANSPORT SERVICES					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	7	7	6	1	14.3%
4 - 6	5	4	4	0	0%
7 - 9	11	18	13	5	27.8%
10 - 12	5	7	7	0	0%
13 - 15	2	2	2	0	0%
16 - 18	5	4	3	1	25.0%
19 - 20	1	1	1	0	0%
Total	36	43	36	7	16.3%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.8.4*



## FINANCIAL PERFORMANCE YEAR 2021/2022: TRANSPORT SERVICES R'000

Details	2020/2021	2021/22			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
<b>Total Operational Revenue</b>	<b>828</b>	<b>857</b>	<b>857</b>	<b>476</b>	<b>-80%</b>
Expenditure:					
Employees	22 885	25 506	22 176	22 176	-15%
Repairs and Maintenance	3 291	3 748	4 380	4 380	14%
Other	96 619	54 818	40 649	71 293	23%
<b>Total Operational Expenditure</b>	<b>122 795</b>	<b>84 071</b>	<b>67 205</b>	<b>97 850</b>	<b>14%</b>
<b>Net Operational Expenditure</b>	<b>121 967</b>	<b>83 215</b>	<b>66 349</b>	<b>97 374</b>	<b>15%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.8.5

## CAPITAL EXPENDITURE 2021/2022: TRANSPORT SERVICES R'000

Capital Projects	2021/2022				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
<b>Total All</b>	<b>79 318</b>	<b>103 058</b>	<b>85 434</b>	<b>7%</b>	
SLEEPER SITE ROAD	7 274	7 274	–	0%	7 274
CITY TO SEA BOULEVARD	3 500	3 500	3 496	0%	6 141
BRIDGE DESIGNS & IMPLEMENTATION	10 000	9 063	9 063	0%	11 063
GUARDRAILS	500	304	294	0%	804
SLEEPER SITE ROAD	15 000	18 659	18 659	20%	58 659
GUIDANCE SIGNAGE	300	300	300	0%	600
SIDEWALKS	3 000	2 533	2 533	0%	5 533
TRAFFIC CALMING	2 000	1 957	1 885	0%	4 957
TRAFFIC SIGNALS	2 000	500	486	0%	3 500
MDANTSANE ACCESS ROAD	6 000	10 000	–	0%	31 034
MDANTSANE ACCESS ROAD	–	19 411	19 411	0%	19 411
QUMZA HIGHWAY PHASE 7 - PHASE 1 & 2	17 700	12 861	12 861	0%	85 944
TAXI RANK INFRAST (ROADS & ABLUTION FAC)	7 000	7 000	6 972	0%	16 500
TAXI/BUS EMBAYMENTS	2 000	2 000	1 925	-4%	3 200
NORTH WEST CORRIDOR	3 044	3 044	3 043	0%	3 044
TRAFFIC SIGNALS - BCMET c/o		487	485	0%	487
BILLIE ROAD UPGRADE		2 919	2 919	0%	2 919
TAXI RANK INFRAST (ROADS & ABLUTION FAC)c/o	–	1 085	1 009	100%	1 085
MARKET SQUARE TAXI RANK c/o	–	161	94	0%	161

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.8.6

## COMMENT ON THE PERFORMANCE OF TRANSPORT OVERALL

- a) **Construction of Traffic Engineering Safety Measures** programme has resulted in the construction of 43 speed humps, 2.11km of sidewalks, and three taxi / bus embayment. The projects would contribute to reducing the number of accidents that involves vehicle and pedestrians.
- b) Mdantsane Access Road completion of 2km of widened and completed in June 2022. The project's purpose was to improve non-motorised transport infrastructure along the section between Arnoldton Station and Crave Meats in the Reeston area to reduce accidents involving pedestrians.
- c) Completion of Three Bridges namely Umswi Bridge in Amalinda, Ncerha to New Hope Pedestrian Bridge and Ndevana Pedestrian Bridge.

The City has several projects that are planned to be implemented over the next five-year period namely:

1. Sleeper Site Phase 2 - Upgrading of Currie Street to a dual carriageway from Moore Street to Fleet Street.
2. Upgrading of Qumza Highway Phase 1 from Nu12 (Madlizekhaya Intersection) to NU13 (Sasol Garage).
3. Upgrading of Ebuhlanti Taxi Rank next to Nicks Food.
4. Programme on the Construction of Sidewalk (3km) annually.
5. Programme on the Construction of Speed Humps (50) annually.

Targets are set based on the approved budget, hence targets set on the IDP will be achieved within the approved budget. Should there be any variance, budget adjustment is made through the mid-year budget adjustment process.

T 3.8.7

## 3.9 WASTE WATER (STORM WATER DRAINAGE)

### 3.9.1 Introduction to Storm Water Drainage

As seen in heavy rainfalls experienced in December 2021 and January 2022 and subsequent persistent rainfall events, an efficient, well-maintained stormwater drainage system plays a critical role in ensuring that a city remains accessible and operational during periods of heavy rainfall.

The damage that these flooding events can cause can be catastrophic, resulting in large-scale damage to existing infrastructure, loss of essential services such as power, water and sanitation, and even the loss of life. Major and minor stormwater drainage infrastructure must receive adequate attention to ensure that it functions optimally, even during periods of drought.

Global warming has changed prevailing weather patterns, making historical weather data unreliable. This has been demonstrated by the erratic weather patterns currently being experienced. Typically dry periods can become periods of flooding, while the seasonal rainy periods can become a period of drought. The recent flooding in KZN, the drought in Qgeberha, and the flooding in Mdantsane and East London.

Serious consideration and attention must be given to the often forgotten service of stormwater drainage, as the rainfall intensity and duration become more disruptive and damaging. On-site stormwater management and attenuation are some of the measures being implemented by the department, along with localised renewals and upgrades to augment existing infrastructure. Rainwater harvesting and regional attenuation facilities are also under consideration.

The Stormwater Unit falls under the Roads and Stormwater Branch, and is mandated to carry out all repairs, maintenance and upgrades of all BCMM owned road stormwater drainage, bridges, culverts and concrete lined drains that fall under the control of the municipality. The existing infrastructure consists of ±70 bridge structures, ±21,000 manholes, kerb inlets, headwalls and other inlet and outlet structures within BCMM many of which are damaged or blocked. There is more than 615km of storm water pipes and culverts within the Metro, many of which are very old, and corroded and in need of replacement. Additional capital funding is required to address rehabilitation and upgrade existing infrastructure.

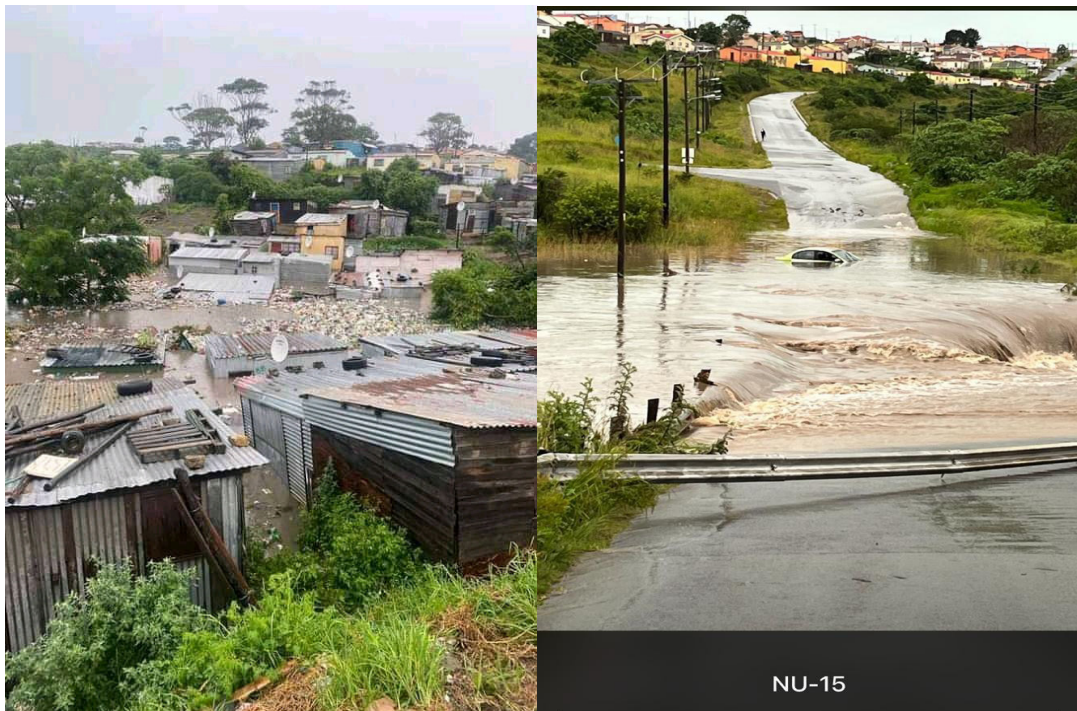
The key service delivery priorities are:

### Flood Mitigation

Although compact cities are more desirable from a city planning and service provision perspective, it has a significant negative impact on areas that were designed and constructed for a much lower density of development with large single residential, even many open spaces, and low-density commercial development. This has significantly increased stormwater runoff, with the existing infrastructure remaining relatively unchanged and lacking capacity.

Due to this increase in runoff, low-lying areas within the metro become more susceptible to flooding. It is not economically or physically feasible to increase the size of all the existing stormwater infrastructure. The cost and disruption to the city would be far too great to justify. Several alternatives are being investigated and implemented, such as on-site stormwater attenuation through stormwater management systems, regional attenuation and possible rainwater harvesting, and localised upgrades to existing infrastructure to improve capacity.

Informal areas are particularly vulnerable due to the fact all available space is utilised to construct shelters, and in most cases, this includes water courses and low lying areas, which are very high risk. During heavy rainfall, these areas inevitably flood, posing a danger to the occupants and often leaving the residents homeless. There can often be flash flooding with sudden and dangerous consequences. These areas are generally prioritised for relocation. However these areas are usually reoccupied after they have been cleared.







Above: January 8 Flooding

#### Renewals of existing infrastructure:

An ongoing program of rehabilitation and reconstruction of existing infrastructure is being carried out in various areas of the city, focusing on clearing existing stormwater systems and replacing damaged manholes and kerb inlets. All new kerb inlets are fitted with gratings to reduce the ingress of solid waste into the stormwater system. Solid waste is the single biggest cause of blockages in the stormwater system. Many areas require constant clearing due to the large volume of solid waste that is finding its way into the stormwater system. The installation of gratings assists in reducing blockages of the pipes; however, it does require regular clearing of waste and debris to ensure that the opening is clear.







Above: Damaged Kerb Inlets



Above: New Kerb Inlets



Above: waste typically found in the stormwater system

### Rehabilitation and maintenance of bridges and culverts:

Bridge and major culvert renewals are an ongoing program where existing bridges and major culverts are being rehabilitated. Many of the existing structures within the metro have had little routine maintenance over their design life, and therefore need renewal or rehabilitation. These rehabilitation work extend the useful life of the structures significantly.

Typical rehabilitation works include steel corrosion mitigation, concrete repairs, expansion joint replacement, clearing of the watercourse, parapet handrails, drainage scuppers and resurfacing.

### Rural road stormwater drainage:

The roads and stormwater branch provides side drains along rural roads which are cut by grader when regravelling and maintenance on rural roads. A major challenge is that the drains are often blocked with silt due to the undulating terrain, and the culvert crossings in the valleys are often blocked due to erosion.

There is a significant backlog in the City's maintenance and upgrade of the existing stormwater drainage systems. An additional R30 Million per annum is required to reduce stormwater upgrades and maintenance backlog. There is an urgent need to make additional funding available to replace/rehabilitate and upgrade the stormwater network, as it is in poor condition and unable to cope with modern requirements.

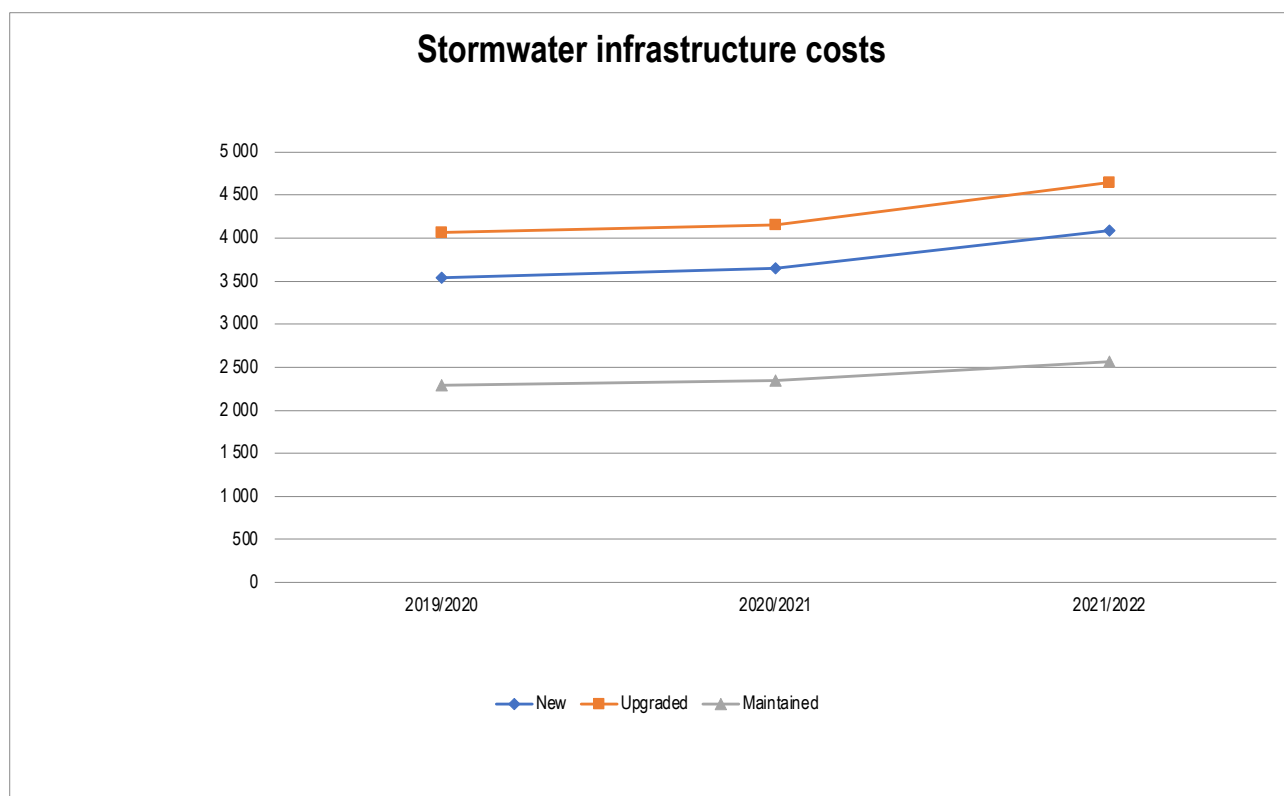
The flooding between December and January caused extensive road damage and stormwater infrastructure. R189,295,000 is required to address the damage done by the flooding, which increases after subsequent rainfall.

T 3.9.1

STORMWATER INFRASTRUCTURE KM				
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2019/2020	612	8	5	167
2020/2021	618	6	2	215
2021/2022	624	5,5	1	250
				T 3.9.2



Cost of Construction/Maintenance R'000			
	Stormwater Measures		
	New	Upgraded	Maintained
2019/2020	3 535	4 066	2 294
2020/2021	3 650	4 150	2 350
2021/2022	4 088	4 648	2 562
T 3.9.3			



T3.9.4

STORMWATER POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	Target
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Development of fully integrated storm-water management systems including wetlands and natural water courses</b>	Phasing in of systems	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); x yrs remaining	Completion (Yes/No); x yrs remaining	Completion (Yes/No); x yrs remaining
Number of existing BCMM Bridges rehabilitated	3	3	3	2	2	2	3	3	3

*Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*'Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role. T 3.9.5*

EMPLOYEES: STORM WATER SERVICES					
Job Level	Year 2020/2021	Year 2021/2022			
	Employees	Posts	Employees	Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	7	6	6	0	0%
4 - 6	3	2	2	0	0%
7 - 9	1	2	2	0	0%
10 - 12	0	0	0	0	0%
13 - 15	1	1	1	0	0%
16 - 18	0	1	1	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0%</b>

Totals should equate to those included in Chapter 4 Total Employee Schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'Senior Management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.9.6

FINANCIAL PERFORMANCE 2021/2022: STORMWATER SERVICES R'000					
Details	2020/2021	2021/2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	12	1 958	6 958	2 021	3%
<b>Expenditure:</b>					
<b>Employees</b>	88 213	96 616	92 637	92 637	-4%
<b>Repairs and Maintenance</b>	15 592	119 467	118 438	117 562	-2%
<b>Other</b>	-	-	-	-	0%
<b>Total Operational Expenditure</b>	103 805	216 084	211 075	210 199	-3%
<b>Net Operational Expenditure</b>	103 793	214 126	204 117	208 178	-3%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.9.7

CAPITAL EXPENDITURE 2021/2022: STORMWATER SERVICES R'000					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>10 540 440</b>	<b>12 270 131</b>	<b>12 270 131</b>	<b>14%</b>	
<b>REHABILIT OF BCMM BRIDGES AND STOR-WATER</b>	<b>10 540 440</b>	<b>12 270 131</b>	<b>12 270 131</b>	<b>14%</b>	<b>12 270 131</b>

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.9.8

**COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:**

The Stormwater Unit:

1. Had an allocated capital budget of R10,540,440 for the 2021/2022 financial year, of which 100% was utilised on bridges and stormwater rehabilitation projects. An operating budget of R8,890,735 million for maintenance of existing stormwater was spent over the 2021/2022 financial year on clearing and jetting existing stormwater drainage and repairs.
2. Conducted an inventory survey and condition assessment of all existing stormwater infrastructure. The work includes capturing the locality, size and condition of all existing stormwater infrastructure within the metro. This data will then be used to determine the available capacity, maintenance needs and the prioritisation of projects.
3. Completed the rehabilitation and refurbishing of two bridges in the 2021/2022 financial year, namely the Albatross Road Bridge in Qonce and the Bridge Street bridge in Qonce.

**Albatross Road bridge and Bridge Street bridge heritage rehabilitation**

The upgrading of the Albatross Road Bridge and refurbishing the Bridge Street bridge were completed as one project. The Albatross Road bridge was previously a low-level bridge which would overtop regularly, limiting access to the West Bank area. The project was to upgrade the structure to a bridge that would accommodate a 1:100 rainfall event without overtopping and provide a safe all-weather structure for pedestrians and vehicles alike. The Bridge Street Bridge scope of work was to refurbish the existing structure in accordance with the heritage assessment that was undertaken on the structure. The works included the replacing of joints, resurfacing the bridge deck, refurbishing the hand rails and concrete repairs.

The final construction cost for both structures was R32,979,248 including VAT.



Above: Bridge St Bridge



Above: Albatross Rd Bridge completion

**The stormwater unit's ongoing programs are:**

1. The refurbishment/replacement of kerb inlets and manholes.
2. Upgrade of existing stormwater infrastructure.
3. Refurbishment of existing bridges and culverts.

The ward-based roads and stormwater maintenance program assists with the clearing of open drains, inlets and gutters.

Stormwater infrastructure upgrades are also carried out as part of road rehabilitation and upgrade projects. Projects such as the Mdantsane Roads Upgrade Clusters, Settlers Way and Military Road Upgrades, Qumza Highway Upgrade, etc., include the rehabilitation and upgrade of stormwater drainage by increasing capacity and renewing the old infrastructure.

T3.9.9



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component C: Planning and Development**



## COMPONENT C: PLANNING AND DEVELOPMENT

### INTRODUCTION TO PLANNING AND DEVELOPMENT

#### Key Legislation that guides the planning and development processes in BCMM

#### 1. Integrated Urban Development Framework

The Department of Cooperative Governance and Traditional Affairs developed an Integrated Urban Development Framework (IUDF) in 2016 in response to the post-2015 Sustainable Development Goals (SDGs), particularly Goal 11: Making cities and human settlements inclusive, safe, resilient and sustainable. The IUDF also builds on various chapters of the National Development Plan (NDP) and extends Chapter 8, 'Transforming human settlements and the national space economy,' and its vision for urban South Africa.

The IUDF identifies some key elements, such as creating compact cities, decent public transport and developing industries and services designed to break down apartheid geography. Compact growth reduces the costs of providing services and infrastructure and increases the viability of connecting public transport and other forms of urban infrastructure."

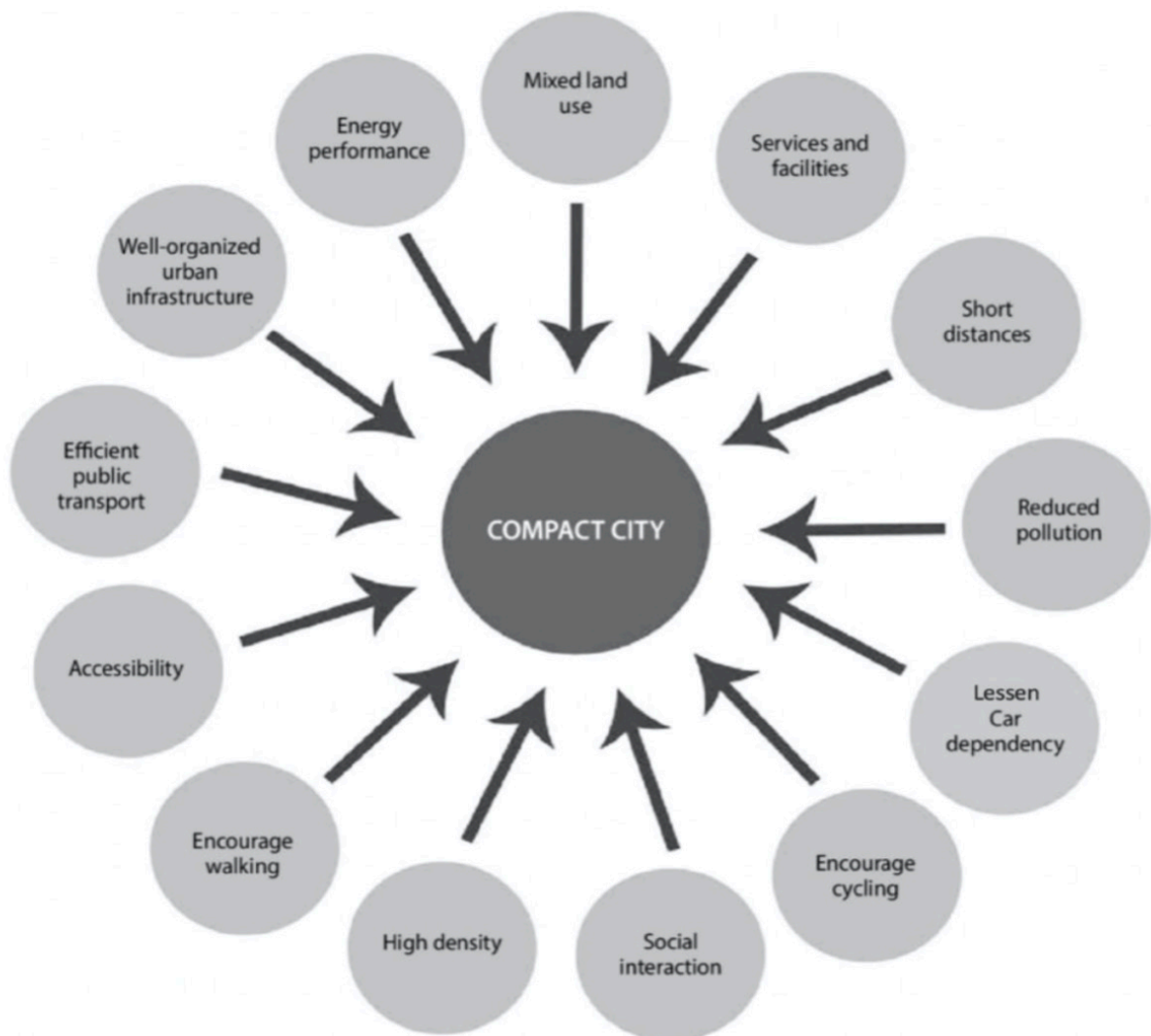


Figure: Key Elements in the Concept of a Compact City

Firmly rooted in the NDP, the IUDF reinforces that South Africa needs to redress apartheid partial legacy and create more compact and connected cities and towns. The outcome of the IUDF is spatial transformation which marks a New Deal for South African cities and towns by steering urban growth towards a sustainable growth model of compact, connected and coordinated cities and towns.

The IUDF notes that urban growth boundaries proposed in municipal SDFs must be maintained to avoid urban sprawl and protect environmentally sensitive land and prime agricultural land for food security. The IUDF notes that compact urban growth is not simply about urban containment (i.e. prohibiting growth outside a certain boundary) or high densities but rather about managing urban expansion in ways that avoid inefficient spatial development. Therefore, high-density mixed-use Transport Orientated Development (TOD), with high levels of accessibility to local employment and services, which reduces transportation costs, is promoted.

## 2. National Development Plan (NDP)

There are five overarching principles for Spatial Transformation set out in Chapter 8 of the National Development Plan. These have been incorporated into SPLUMA and will be discussed below.

## 3. Spatial Planning and Land Use Management, Act 16 of 2013

Chapter 2, Section 7 of the Spatial Planning and Land Use Management Act No.16 of 2013 (SPLUMA) identifies the development principles as follows:

- **Spatial Justice** - Inclusion and integration of disadvantaged areas.
- **Spatial Sustainability** - Promote land development in sustainable locations to limit urban sprawl, create viable communities, and consider all current and future costs for all parties concerning the provision of infrastructure and social services for land developments.
- **Efficiency** - optimising existing resources and infrastructure. Efficient commuting patterns
- **Spatial Resilience** - flexibility of spatial plans, policies and land use management systems are accommodated to ensure sustainable livelihoods in communities most likely to suffer the impacts of economic and environmental shocks.
- **Good Administration** - execution of good governance principles in measuring how public affairs are conducted and managing public resources in the decision-making process and the implementation and non-implementation thereof of those decisions.



Figure: The SPLUMA Development Principles (DRDLR, 2019)

In terms of the Buffalo City Metropolitan Municipal Planning Tribunal (MPT), additional members were appointed to serve on the MPT. These new members were gazetted on 21 September 2021 in the Eastern Cape Provincial Gazette. The MPT met regularly every month during the 2021/22 Financial Year. All Land Use Applications are being processed in terms of the approved and gazetted Buffalo City Metropolitan Municipal Spatial Planning and Land Use Management By-Law. This By-Law makes provision for applications for development on, or changes to, land use, communal land located in the areas of traditional councils, where such developments or changes in land use will have a high impact on the rural community. In the 2021/2022 Financial Year, nine MPT meetings were held. In the 2021/2022 Financial Year, 62 reports were submitted and considered by the Municipal Planning Tribunal. Of those 62 reports, 39 were approved, 13 were not approved, and ten deferred.

A total of 935 Land Use Applications were approved by the HOD: Spatial Planning and Development under delegated authority during the 2021/2022 financial year. T 3.10

### 3.10 PLANNING

#### INTRODUCTION TO PLANNING

BCMM approved the Buffalo City Metropolitan Municipality Spatial Development Framework (SDF) Review in December 2020. One of the key functions of the MSDF is to provide spatial guidance and coordination for settlement and infrastructure planning and investments to facilitate an integrated approach to sustainable development within the metro.

#### MAIN OUTCOME OF MUNICIPAL SPATIAL DEVELOPMENT FRAMEWORK

The key objective of the BCMM Spatial Development Framework is to achieve Spatial Transformation.

Spatial Transformation focuses on a Spatial Targeting approach which involves: -

- Adopting the Compact City approach in the urban areas through a strategy of densification and intensification to create a compact, efficient city, which includes the facilitation of high-density residential uses as well as mixed uses within the inner city and at identified nodes and along identified public transport corridors.
- Providing linkages to places of employment and linkages between communities
- Consolidation and integration of spatial development in the rural and urban centres by developing land for sustainable human settlements efficiently in proximity to existing infrastructure.
- In rural areas implementing the Land Reform and Settlement Programme by identifying zones of opportunity or integrated development in peri-urban and rural areas.

#### SDF SPATIAL VISION

##### **“Re-Shaping Buffalo City: the Metro in 2029”**

Buffalo City has consolidated its position as a City-in-a-Region, providing a focus for socio-economic development, services and higher-order human settlement in the central part of the Eastern Cape Province. The core functional elements of the City are its roles as a hub for an evolving Knowledge Economy and sustainable infrastructure production and innovation; a centre of Industrial development with an innovative and world-class motor industry cluster at its heart; and a city that offers a rich lifestyle experience through the quality of its natural environment, the range of social, cultural and leisure activities offered in the area and the excellence of its public infrastructure and social institutions.

## SDF STRATEGIC FOCUS

The revised BCMM SDF (2020) has a renewed two-pronged strategic focus.

The first strategic focus is facilitating Spatial Transformation by promoting the Compact City concept and spatially targeting strategic areas for investment and development. The locus for the Spatial Transformation initiatives are:

- Two Catalytic Development Nodes – East London CBD & Inner City and Mdantsane Urban Hub
- Four Catalytic Development Corridors – MELD Corridor & Northwest Development Corridors; West Bank Economic Corridor/Logistics Hub; Bhisho-Qonce-Zwelitsha Development Corridor.
- Six Mass Integrated Human Settlement Development areas are situated on well-located land across the city where inclusive mixed-use residential communities can be built at scale.
- Six townships.

The second strategic focus (in coordination with the first) is to support economic growth and development. This includes:

1. Repurposing industrial areas to benefit from the growing Logistics Economy
2. supporting the expansion of the Knowledge-based economy
3. Facilitating the massive potential for growth and job creation in the New Digital Economy resulting from the technologies of the Fourth Industrial Revolution (4IR)
4. Support Township Economy: Priority to release BCMM land for housing and business purposes

### KEY PROGRAMMES PER SDF SPATIAL FOCUS AREAS

Spatial Focus Areas	Catalytic Programmes/Key Built Environment & Economic Programmes
1. West Bank	West Bank Economic Corridor Catalytic Programme (CP) West Bank Mass Integrated Human Settlement (MIHS)
2. Central East London to Mdantsane	EL CBD and Inner-City Regeneration CP MELD Corridor CP Mdantsane Hub CP NW Corridor CP Duncan Village & Mdantsane Township Regeneration Amalinda Junction MIHS Arnoldton MIHS
3. Bhisho/Qonce/ Dimbaza/ Ntabozuko(Berlin)	Bhisho-Qonce-Zwelitsha Corridor CP Ntabozuko & Dimbaza Industrial nodes Zwelitsha, Illitha, Phakamisa, Dimbaza Township Regeneration Ginsberg Extension MIHS Bhisho Precinct MIHS
4. Gonubie/Quenera	Quenera MIHS
5. Rural	Rural Economy programme Basic service delivery programme
Spatial Focus Area: 1 to 4	Industrial Development Programme focussing on logistics

## SDF MASS-INTEGRATED HUMAN SETTLEMENT AREAS

Six mass integrated human settlement areas have been identified in key locations to cater for the housing backlog. These areas are intended to:

1. Accommodate various socio-economic groups in a range of housing types in a fully Integrated Human Settlement.
2. Be developed at high density and can include social housing flats, high-rise RDP, Gap housing, plots for self-build housing, and managed land settlement.
3. Include business sites and community facilities

SIX MASS INTEGRATED HUMAN SETTLEMENTS	ESTIMATED RESIDENTIAL YIELD
West Bank	71,340
Quenera	26,595
Arnoldton/ Reeston North	25,695
Ginsberg Extension	14,910
Bhisho Precinct	6,144
Amalinda Junction	6,009
<b>TOTAL</b>	<b>150,693</b>

## SPATIAL DEVELOPMENT FRAMEWORK RURAL DEVELOPMENT PROGRAMME

Strengthen Rural **Nodes** that will cater for the following essential services:

- Retail
- Social
- Medical
- Mobile Government Services, i.e. SASSA/Home Affairs/etc.
- Transport Interchange

### Facilitate Agriculture Development:

- Assist residents to create sustainability by themselves for themselves
- Continue with Rural Housing Programme
- Rural Economy Programme
- Focus on Agro-processing
- Tourism
- Conservation

## SPATIAL DEVELOPMENT FRAMEWORK INDUSTRIAL REVITALISATION PROGRAMME

A key element of the programme is the repurposing of the following Industrial Areas:

### West Bank Smart Logistics and Automotive Hub:

- Port/Airport/MBSA/IDZ
- Airport Logistics areas
- Collondale - Gradual conversion to logistics to support the Airport
- Logistics area - Relocation of Orange Grove

### Wilsonia:

- Re-purpose for logistics
- Benefiting from the bridge over Buffalo River



**Fort Jackson:**

- SMME Hub
- Repurpose for logistics

**Mdantsane industrial park adjacent to Mount Ruth Node:**

- Logistics focus

**Dimbaza industrial area:**

- Responding to the needs of the rural hinterland
- Agro-Processing of perishables such as flowers and fruit
- Food Security for BCMM
- Linkage to Bulembu Airport as a logistics hub for the export of food and high-end agro products;
- Need to look at surrounding municipalities funnelling agricultural products to Dimbaza for processing and/or export;
- Spatial Implications:
- Needs housing, businesses, etc.
- Encourage higher-order facilities to support the residents

**Ntabazuko Green Energy Hub:**

- Solar Farm
- Manufacturing of Green-tech

**Service Delivery Priorities**

- a. Implementation of SPLUMA and the SPLUM By Law
- b. Upgrading of Informal Settlements
- c. Formulation of Local Spatial Development Frameworks

**SPATIAL DEVELOPMENT PLANNING OUTPUTS**

The following Development Planning projects were executed during the 2020/2021 Financial Year:

**FORWARD/SPATIAL PLANNING**

- Buffalo City Metropolitan Municipal Spatial Development Framework Review: The SDF Review was approved by Council in December 2020.
- Settlers Way Local Spatial Development Framework: The Settlers Way LSDF Review was approved by Council in December 2020.
- Amalinda Cambridge Local Spatial Development Framework: The Amalinda Cambridge LSDF has been initiated and to be completed in the 2023/2024 Financial Year.

## SETTLEMENT PLANNING

- Settlement Planning projects are undertaken as a response to a need for decent housing provision and to confer land tenure rights to the beneficiaries. The following Settlement planning projects for the Establishment of Townships and Feasibility Studies were undertaken during the 2021/2022 Financial Year.
- Township Establishment - BCMM finalized several Township Establishments in the 2021/2022 Financial Year, i.e. Z Soga Overspill, Xhwithinja, Ekuphumleni, Slovo Park and Pots dam Unit V North and South.
- The above-mentioned applications were submitted to CoGTA before in terms of the Land Use Regulations Act 15 of 1987. This was after BCMM Council supported the applications and these were subsequently submitted to the MEC responsible for the Department of Local Government and Traditional Affairs (CoGTA) for final Approval. While the applications were being processed by CoGTA the Land Use Regulations Act 15 of 1987 was repealed.
- After the repeal of the Land Use Regulations Act 15 of 1987, CoGTA subsequently returned the applications which had not been determined by the CoGTA Land Use Planning Board to BCMM for processing and determination in terms of the Spatial Planning and Land Use Management Act 16 of 2013.
- BCMM subsequently submitted reports to the June 2022 Municipal Planning Tribunal for determination and decision. Z Soga Overspill and Ekuphumleni were deferred to amend the layouts and will have to be resubmitted to MPT for a decision. Slovo Park was approved by MPT.

### Feasibility Study

The Township Establishment process is preceded by a Feasibility Study process and the Spatial Planning and Development Directorate has commenced and processed the following six Feasibility Studies in the 2021/2022 Financial Year listed below:

FEASIBILITY STUDIES			
	NAME OF SETTLEMENT	WARD NO.	DATE OF APPROVAL/STATUS
6.	Nompumelelo Feasibility Study Phase 2	15	Approved by Council in December 2021
7.	Quenera Feasibility Study	28	The May 2022 Portfolio Committee and the Mayoral Committee in June 2022 supported it and recommended it further to Council for approval
8.	Amalinda Forest Feasibility Study	16	Approved by Council in May 2022
9.	Mtsotso Station/ Silvertown Feasibility Study	11 & 13	The May 2022 Portfolio Committee and the Mayoral Committee in June 2022 supported it and recommended it further to Council for approval
10.	Msobomvu Feasibility Study	26	The May 2022 Portfolio Committee and the Mayoral Committee in June 2022 supported it and recommended it further to Council for approval
11.	Cuba & Eluxolweni Feasibility Study	17 & 30	The May 2022 Portfolio Committee and the Mayoral Committee in June 2022 supported it and recommended it further to Council for approval

T 3.10.1

## LAND USE PLANNING APPLICATIONS

The Spatial Planning and Land Use Management Act No.16 of 2013 requires the BCMM to have a By-law and a Zoning Scheme which specifies the purpose for which land, being a specific property, may be used. It also sets out the land use restrictions for each property in the municipality, as determined by the relevant Zoning Scheme Regulations.

A property owner must submit a land use application to the City Planning Division in terms of the provisions of the SPLUM By-law and the Buffalo City Zoning Scheme when such an owner wants to change his/her land use or alter the applicable land use restriction on the said property. These land use applications entail the following Rezoning, Subdivision, Special Consent, Consolidation and Departures (which may be permanent or temporary).

Land Use applications are processed in the prescribed manner as per the provisions of the SPLUM By-law and the Buffalo City Zoning Scheme. It must be noted that the Spatial Planning and Land Use Management Act 16 of 2013 is now the only planning legislation in place to approve planning applications. The Provincial Government repealed all other planning legislations and regulations.

The BCMM received a total number of 508 planning applications during the 2020/21 Financial Year as follows:

LAND USE APPLICATION TYPES	TOTAL NUMBER OF APPLICATIONS RECEIVED
Subdivision	42
Rezoning	56
Removal of Restrictions	78
Consent Use	11
Permanent Departure (Building Lines)	229
Temporary Departure	92

## LAND USE MANAGEMENT (LUM)

APPLICATIONS FOR LAND USE DEVELOPMENT						
DETAIL	FORMALISATION OF TOWNSHIPS		REZONING		BUILT ENVIRONMENT	
	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022
Planning application received	10	9	56	56	2327	2312
Determination made in year of receipt	2	1	16	15	1683	2575
Determination made in following year	0	2	0	0	647	271
Applications withdrawn	0	0	1	3	0	0
Applications outstanding at year end	8	6	39	38	0	0

T 3.10.2

PLANNING POLICY OBJECTIVES TAKEN FROM IDP									
SERVICE OBJECTIVES	OUTLINE SERVICE TARGETS (II)	2020/21		2021/22		ACTUAL	2022/23	2024/25	
		TARGET	ACTUAL	TARGET	TARGET		TARGET	TARGET	
SERVICE INDICATORS (I)		*PREVIOUS YEAR (III)	(IV)	*PREVIOUS YEAR (V)	*CURRENT YEAR (VI)	(VII)	*CURRENT YEAR (VIII)	*CURRENT YEAR (IX)	*FOLLOWING YEAR (X)
SERVICE OBJECTIVE									
Determine planning application within a reasonable timescale	Average number of days taken to process building plan applications for approval (plans below 500 square metres)	28 days	136.39	28 days	28 days	122.34	28 days	28 days	28 days
	Average number of days taken to process building plan applications for approval (plans above 500 square metres)	58 Days	208.52	58 days	58 days	177.55	58 days	58 days	58 days
	T 3.10.3								

EMPLOYEES: PLANNING SERVICES					
JOB LEVEL	YEAR 2020/2021	YEAR 2021/2022			
	EMPLOYEES (NO.)	POSTS (NO.)	EMPLOYEES (NO.)	VACANCIES (FULL-TIME EQUIVALENTS) (NO.)	VACANCIES (AS A % OF TOTAL POSTS) (%)
0 – 3	10	14	11	3	21.4%
4 – 6	26	32	20	12	37.5%
7 – 9	20	22	20	2	9.1%
10 – 12	51	59	49	10	16.9%
13 – 15	16	20	17	3	15.0%
16 – 18	1	3	2	1	33.3%
19 – 20	3	3	3	0	0%
<b>Total</b>	<b>127</b>	<b>153</b>	<b>122</b>	<b>31</b>	<b>20.2%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.10.4

FINANCIAL PERFORMANCE 2021/2022: PLANNING SERVICES R'000					
DETAILS	2020/2021	2021/2022			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	13 820	23 341	23 039	952	-2352%
Expenditure:					
Employees	55 216	59 955	58 711	58 711	-2%
Repairs and Maintenance	107	414	56	56	-642%

Other	37 247	23 047	110 656	27 635	17%
Total Operational Expenditure	92 571	83 416	169 422	86 402	3%
Net Operational Expenditure	78 751	60 074	146 383	85 450	30%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.10.5

CAPITAL EXPENDITURE 2021/2022: PLANNING SERVICES R' 000					
CAPITAL PROJECTS	2021/2022				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
Total All	2 800	2 800	428	-554%	
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500	500	325	-54%	1 500
SURVEY SOFTWARE	300	-	-	0%	400
ARCHITECTURAL SOFTWARE		200	-	0%	200
SCM INVENTORY WAREHOUSING AND FENCING		100	98	100%	100
UPGRADING OF KWT PAYMENTS HALL	2 000	2 000	5	-36579%	2 000

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.10.6

## COMMENT ON PERFORMANCE OF PHYSICAL PLANNING OVERALL

### ARCHITECTURAL SERVICES

The Architectural Services Division does not have own capital projects in the institutional Integrated Development Plan (IDP) but implements building projects on behalf of other Directorates within the municipality. These Directorates have set the IDP targets and, accordingly, report on progress. Notwithstanding, capital projects undertaken by the Architectural Division in 2020/21 financial year include the following:

#### Replacement of Lifts: Munifin Centre

- The total approved construction value was R 2 002 002 VAT Included
- The project was completed in April 2021 (Works completion).
- The final project cost was R 1 647 500 Vat Included (Final Account).

#### Completion of Works: SCM Depot Warehouse

- The total approved construction value was R 896 095 VAT Included
- The project was completed in July 2021 (Practical completion).
- The final project cost was R 666 082 Vat Included (Final Account).

Designs, specifications and procurement processes were also undertaken in the 2020/21 financial year in preparation for implementation in the outer financial years. These projects include the following:

- Mdantsane Customer Care Centre (Budget R 30 000 000)
- Mdantsane Arts Centre (Budget R 9 000 000)
- Berlin Fire Station (Budget R 11 00 000)
- KWT Payments Hall (Budget R 5 000 000)
- Nahoon Caravan Park Offices (Budget R 2 500 000)
- Mdantsane Learners Centre: Public Ablution Facilities (Budget R 700 000)



## GEOMATICS (LAND SURVEYING)

- The following Geomatics projects were undertaken during the 2020/2021 Financial Year.

### Cadastral Survey to obtain a General Plan from an approved layout for Kwatshatshu Area

- Proposed subdivision of Remainder of Farm No.1924 (Jan Tzatzoes Location North) King William's Town in order to fulfil the requirements for Township Establishment in Kwatshatshu settlement area.
- The earmarked land falls in the area of jurisdiction mandated to the Department of Cooperative Governance and Traditional Affairs (COGTA) for issuance of the relevant Township Establishment approval
- BCMM Council recommended in October 2018 for the approval in that regard.
- The Department of Cooperative Governance and Traditional Affairs (COGTA) issued the approval in terms of the Land Use Regulations Act, (Act 15 of 1987) in December 2020.
- A second approval was issued by BCMM in October 2020 in respect of all applicable conditions in favour of Council.
- This project will create a General Plan of 249 residential erven in total.
- Survey is still on hold pending the resolution community related matters.
- Once approved, the General Plan will form the basis from which installation of infrastructural service and erection top structure (houses) will made possible.

### Cadastral Survey to obtain a General Plan from an approved layout for Ilitha Park Area

- Proposed subdivision of Erf 943 Ilitha Extension No. 1 in order to fulfil the requirements of Township Establishment for Ilitha Park settlement area.
- The earmarked land falls in the area of jurisdiction mandated to the Department of Cooperative Governance and Traditional Affairs (COGTA) for issuance of the relevant Township Establishment approval
- BCMM Council supported the application for approval by the aforesaid department.
- Subsequently, the COGTA issued the approval in terms of Township Proclamation R293/1962 in November 2019.
- A second approval was issued by BCMM in October 2020 in respect of all applicable conditions in favour of Council.
- The General Plan consisting of 51 residential erven was approved by the Surveyor-General in November 2020.
- the General Plan will form the basis from which installation of infrastructural service and erection top structure (houses) will made possible.

### Cadastral Survey to obtain a General Plan from an approved layout for (Z Soga 3 P2)

- Proposed subdivision of Erf 3806 Mdantsane Unit 6 in order to fulfil the requirements for Township Establishment in Z Soga 3 (P2) settlement area.
- The earmarked land falls in the area of jurisdiction mandated to the Department of Cooperative Governance and Traditional Affairs (COGTA) for issuance of the relevant Township Establishment approval
- BCMM Council supported the application in May 2019 for approval by the aforesaid department.
- Subsequently, the COGTA issued the approval in terms of the Land Use Regulations Act, (Act 15 of 1987) in October 2020.
- The General Plan consisting of 84 residential erven was approved by the Surveyor-General in November 2020.
- the General Plan will form the basis from which installation of infrastructural service and erection top structure (houses) will made possible. Targets are set based on the approved budget, hence targets set on the IDP are going to be achieved within the approved budget. Should there be any variance, budget adjustment is done through the mid-year budget adjustment process. T3.10.7.

### 3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKETPLACES)

#### A. TOURISM IN BUFFALO CITY

Many businesses in the City still feel the effects of the Covid-19 pandemic in the tourism sector. These businesses are operating under difficult economic climates trying to cover their day-to-day operational costs. Even though there is a slow recovery, this has not yet returned the industry to its pre-Covid status. The tourism sector is estimated to recover fully in 2025 -2026.

#### Impact of Covid 19 in Buffalo City

##### Closure of Businesses

Eighty-two businesses closed at the end of the 2021/2022 financial year. Most of these businesses are in the accommodation sector, mainly guest houses.

##### Occupancy rate

The occupancy rate has declined significantly from 63% pre-Covid to zero at the start of Covid-19 in 2020 as there was a total shutdown. During the 2020/2021 financial year, occupancy rates ranged between 10% - 20% and only increased to 40% by the end of the financial year.

##### Connectivity

Buffalo City's connectivity to the rest of the country has been affected following the closure of some airlines flying to East London, including Mango and Kulula. This has had an impact on the passenger numbers jetting to East London. This further hurts the City's ability to host events requiring people to fly in and out of the City.

##### Road to recovery

The announcement by the President of the Republic of South Africa on 04 April 2022 to end the national state of disaster brought relief to many businesses. It gave a glimpse of hope for the return to normal operations, including increasing capacity in most events and conference venues.

Whilst the announcement was expected to have a positive impact; the reality is that the return to normality and growth in the tourism sector will only be fully realised in the next two to three years. Like any other destination, Buffalo City will continue to feel the effects of the Covid-19 pandemic, starting with the decreased budget allocated to tourism projects and programmes.

During the year under review the following projects and programmes were implemented.

- Destination marketing programmes
- Tourism Events Programme
- Tourism Awareness Programme

#### Tourism Marketing

The Directorate continued with its efforts of marketing and promoting Buffalo City as a tourist destination of choice. A number of platforms were used for this purpose, including participation in the trade and consumer shows, advertising in both print and electronic media, and hosting of educationals. However, due to budget constraints, limited initiatives were implemented.

#### Participation in the trade and consumer shows

The COVID-19 pandemic has had a significant impact on the tourism industry worldwide following travel restrictions that were imposed. The easing of these restrictions has allowed the country to slowly open its doors for face-to-face exhibitions and consumer shows to allow interaction. During the 2021/22 financial year, Buffalo City had an opportunity to participate in these trade and consumer shows. The trade and consumer shows that have been attended include, amongst other, the following.

### Meetings Africa

- The first exhibition since Covid 19 emerged (2022 Meetings Africa) was held in Johannesburg from 28 February - 02 March 2022 at the Sandton Convention Centre. This annual international business tourism event focuses on Meetings, Incentives, Conferences and Exhibitions (MICE). The event attracts a variety of businesses, including buyers as well as exhibitors. Buffalo City participated as an exhibitor to showcase the variety of products that the City offers to cater for the MICE market. The City had scheduled 27 meetings with prospective buyers over two days. Out of the 27 scheduled meetings, 19 were honoured successfully by potential buyers. Besides scheduled meetings, BCMM had an opportunity to receive walk-ins interested in the City's offerings. At the end of the exhibition, a total of 28 meetings were held.
- The Directorate secured exhibition spaces, which were well-branded with iconic products of the City. A tourism video promoting what Buffalo City has to offer was screened throughout the exhibition. The footage showcased to potential buyers the infrastructure, services and experiences available to cater for MICE tourists.

### World Travel Market

- The World Travel Market was held over three days at the Cape Town International Convention Centre (CPTICC) from 11 April - 13 April 2022. WTM Africa was packed with key and relevant seminars and presentations by sought-after speakers on topics of key relevance to the industry.
- The department was allowed to engage with international and local hosted buyers, media and tour operators to promote the unique experiences and products of Buffalo City to the travel trade. WTM Africa show is mostly an appointment-driven show. The department secured several quality meetings, including media houses, tour operators, International hosted buyers, etc. The department has been able to negotiate the use and inclusion of the City's attractions on trade itineraries. The discussions of these meetings are expected to bear tangible results for the City soon.

### Africa Travel Indaba Tourism Show

- The 2022 Africa's Travel Indaba was held in Durban at the Chief Albert Luthuli International Convention Centre over four days from 02 - 05 May 2022. Africa's Travel Indaba is one of the largest tourism and premier marketing events on the African tourism calendar. Approximately 625 buyers attended the show. The City scheduled 23 meetings over three days with buyers and exhibitors operating in the tourism space and Meetings, Incentives, Conferences and Exhibitions (MICE).

### Advertising (Print, Online and Digital)

Buffalo City continues to advertise in various digital and print publications. In the last financial year, the following magazines were used to place adverts to market and promote the City:

- **Sky ways** – This is an exclusive monthly online in-flight magazine exclusive to Airlink and an official guest magazine for Bidvest Premier Lounge, the exclusive international and domestic lounges located at airport terminals across the country.
- **Sky news** – A digital and print in-flight magazine. It has a guaranteed readership of 160,000 and is published six times a year. It is also distributed to travel agencies, selected publicity associations, tourist information bureaus, hotels and private lodges.
- **In-Flight** is the official onboard magazine for FlySafair. Before the pandemic, the magazine's total reach was over 400,000 monthly passengers and close to 15,000 unique digital subscribers monthly. As such, the magazine serves as an ongoing source of reference for potential visitors to a destination.
- **African Safaris** – African Safaris has a readership and distribution of more than 30,000. It is an upmarket travel and trade magazine which is distributed to 18 countries around the world. The quarterly magazine reaches the inbound tourist directly through tour operators in Africa's key and emerging markets. Additional and targeted distribution ensures that African Safaris is read by the local and international corporate and niche markets.
- **Getaway Magazine** – Getaway Magazine focuses more on travel and outdoor markets. It provides a platform to promote destinations and activities to an audience interested in travel, nature and the outdoors. With a combined readership of 1.6 million; this digital magazine is "distributed" with a huge amount of advertising through different social media platforms, Facebook, Instagram, Linked-in, YouTube and Pinterest to ensure maximum exposure.
- **TFG Escapes Magazine** – A monthly travel magazine which gives readers the ultimate travel advice as well as fantastic deals on local and international holiday spots with informative and well-researched articles on the latest travel trends

- **Your Home magazine** - a digital magazine which is “distributed” to a minimum of 30,000 contacts, either through email or via sms and to a small degree through WhatsApp. It has a huge amount of magazine advertising through different social media platforms, Facebook, Instagram, linked, YouTube and Pinterest, to ensure maximum exposure.

Furthermore, the Directorate has used various newspapers and digital screens to promote the City to maximise its awareness about tourism attractions. The following media platforms, i.e. newspapers and radio, have been used:

- Daily Dispatch
- Go Express
- Mail & Guardian
- Keith Ngesi Radio

Digital screens around Buffalo City are an opportunity for the City and tourism products to market their businesses.

### **Social Media**

The Directorate uses social media platforms such as Facebook, Twitter and Instagram to maximise its efforts to market and promote the City. The Tourism Facebook page has been instrumental in promoting the City during the pandemic. The posts on the page are very informative and receive much engagement. The Facebook page currently has over 17,000 followers.

### **Tourism Events**

The easing of regulations during the 2021/2022 financial year marked the start of hosting events which had been closed for a long time. Buffalo City took up the opportunity to partner with some events hosted in the City. Due to budget constraints, the Municipality could not provide financial contributions but offered an in-kind contribution. The following events were supported because they had the potential to assist in stimulating the growth of visitor numbers to the City:

#### **Buffalo City Switch on the lights**

- The Buffalo City Switch on the Festive Lights is an annual event organised by the Directorate of Economic Development and Agencies, working closely with an events technical committee of various departments within the Metro. The Switch On of the Lights events are designed to launch the rest of the festive season activities. This is the platform where the Executive Mayor conveys a message of goodwill and launches the summer season events to Buffalo City citizens and visitors. This event is commemorated by various activities ranging from the Executive Mayor sending a message of goodwill to BCM citizens, and lighting up the decorated festive lights, which give signals the arrival of the festive season. The Executive Mayor’s message is followed by the display of fireworks and live performances by both local and national artists. The City’s street light designs and kiddie’s entertainment improve each year. Without fail, citizens flock into Esplanade to experience the ambience and take photo’s of the beautifully decorated promenade.
- The Switch On the Festive Lights event took place in one region on the 4th of December 2021. The event was held at the Orient Beach and Swimming Pools complex because it is a controlled access venue. To observe the Covid-19 regulations, members of the public were required to register online in order to gain access to the event. The response to this new norm was overwhelming as the registration closed within 24 hours after it was opened. A total of 1,500 people registered online whilst the remaining five hundred was reserved for guests and staff members. It was a fun-filled day with activities ranging from live performances and fireworks displays, and, of course, speeches by the political leadership graced the occasion. To accommodate more people, the event was broadcast live on social media platforms which over 100,000 people viewed. The event also received extensive media coverage on various platforms, including SABC news channel, eNCA, umhlobo Wenene, Trufm, Mdantsane FM, Kumkani FM, Wild Coast FM and Daily Dispatch.

### **Buffalo Regatta**

- The Buffalo Regatta is a signature event in the national calendar and the oldest rowing event in the country since 1879. The East London Boating Association organised the event over three days at the Buffalo River from 10 - 12 February 2022.
- The event attracted 1,000 participants and over 2,000 spectators from all over the country, including universities, schools and developmental rowing clubs. This has been a significant boost to the local tourism industry, which is recovering from the negative impact caused by the pandemic.

#### *Benefits of Buffalo Regatta 2022*

- Below are the benefits that were received from hosting the event.
- One thousand competitors participated, and approximately 2,000 spectators used local accommodations for their stay.
- There were 36 direct jobs created over three days.
- Twenty local small and medium enterprises were allowed to render services at the event.
- An estimated R12 million was injected into the local economy, as per the report.
- Opportunities for developmental rowing clubs to participate in the event.
- Received exposure to the association's international partners.
- The value of media coverage was R750,000.

### **Umtiza Arts Festival**

- Umtiza Arts Festival is an annual event offering different activities, from dialogues, exhibitions, performances, workshops, etc., hosted in other venues. This event started in 2017 and showed a growth potential until the arrival of the Covid-19 pandemic. Even though the event is a major contributor to the growth of the creative industry in Buffalo City and provides a myriad of opportunities for local artists to showcase their talent, it was not hosted in the last two years in compliance with Covid-19 Regulations. This year's event was held on 23 - 29 May 2022 at three different venues, i.e. Guild Theatre, East London Museum and Ann Brant Art Gallery.
- The 2022 program was very colourful, punctuated with diverse performances from poets, comedians, and other interesting art forms. This extraordinary event gave an opportunity to up-and-coming artists to showcase their talent to cater for diverse needs of our patrons. The program included art exhibitions, live performances, theatre and drama, comedy, art and craft markets, book launches, dialogues and workshops. It remains true to the format of an Arts Festival. Eighty-one visual artists showcased their work at both the Ann Bryant Art Gallery and EL Museum (193 artwork pieces were displayed). The Arts Exhibition was attended by over 500 people. Live performances were held at both Ann Bryant Art Gallery and Guild Theatre, with all live shows held at the Guild Theatre being sold out. Thirty local artists performed at the event and several empowerment workshops were held covering diverse topics.

### **Tourism Awareness**

As part of creating awareness in communities, the Directorate hosted tourism awareness workshops. During the year under review the Directorate hosted at least two awareness activities i.e. tourism awareness workshop in ward 35 and a youth in tourism imbizo event.

#### **Tourism Awareness Workshop**

The tourism awareness workshop was hosted in Ward 35 at eQuzini. The awareness workshop was attended by 71 people, including youth, women and elderly people. The aim of the workshop was to educate communities about the importance of tourism and the role it can play in developing and promoting tourism using the available resources in their communities.

#### **Youth and Women in Tourism Imbizo**

BCMM partnered with the national Department of Tourism, Department of Economic Development, Environmental Affairs and Tourism and the Eastern Cape Parks and Tourism Agency to host the Youth in Tourism Imbizo in a bid to commemorate Youth Month. The event was held on 24 June 2022 at Steve Biko Centre in Ginsberg. The choice of venue was befitting as it is a centre that commemorates the life of struggle icon Bantu Steve Biko. Secondly, the venue showcases the world-class tourism product in Ginsberg's township. The event targeted youth, women and people with disability. It was a great success as it was attended by over 600 people from all over Buffalo City, including other parts of the province such as Gqeberha, Mthatha, Komani and other surrounding areas.



## B. BUFFALO CITY FRESH PRODUCE MARKET STATISTICS REPORT FOR THE 2021/2022 SALES

The Municipal Fresh Produce Market renders its infrastructure facility for trading fresh fruit and vegetables to its local and national farmers. It receives 5% of sales as commission from the Market Agencies. Buffalo City Fresh Produce (BCFPM) is one of the fourteen (14) National Fresh Produce Markets founded to ensure food security for the local and surrounding communities.

The BCFPM at present has four market agents that are currently trading facilities as follows:

- Martin & Scheepers agent 46% annual turnover growth and 43% annual mass growth for 2021/2022
- Border Farmers agent with 19% annual turnover growth and 20% annual mass sales growth for 2021/2022
- Subtropical agent with 19% annual turnover growth and 19% annual mass sales growth for 2021/022
- AAM agent with 16% annual turnover growth and 19% annual mass sales growth for 2021/2022

### T3.11.1

ECONOMIC ACTIVITY BY SECTOR R '000			
SECTOR	2019-2020	2020-2021	2021-2022
Agric, forestry and fishing	2	1,5	1,5
Mining and quarrying	6	5	2
Manufacturing	56	58	63
Wholesale and retail trade	45	51	52
Finance, property, etc.	51	48	52
Govt, community and social services	23	25	25
Infrastructure services	34	38	41
Total	217	226,5	236,5
T 3.11.2			

ECONOMIC EMPLOYMENT BY SECTOR			
SECTOR	JOBS		
	2019-2020	2020-2021	2021-2022
Agric, forestry and fishing	20 000	25 000	30 000
Mining and quarrying	400 000	435 000	372 000
Manufacturing	320 000	300 000	270 000
Wholesale and retail trade	190 000	200 000	210 000
Finance, property, etc.	275 000	255 000	235 000
Govt, community and social services	300 000	310 000	320 000
Infrastructure services	400 000	430 000	450 000
Total	1905000	1955000	1887000
T 3.11.3			

## COMMENT ON LOCAL JOB OPPORTUNITIES

### Impact on employment

The majority of businesses at the end of 2021/2022 were still operating on a skeletal staff as they could not afford to bring back the staff full-time. This has also impacted seasonal workers who could not get the opportunity to benefit as they could not be called in. Most businesses were operating at 50 – 60 % of their staff. The tourism industry pre-Covid created 9,700 jobs. T3.11.4

JOBS CREATED DURING 2020/2021 BY LED INITIATIVES (EXCLUDING EPWP PROJECTS)				
TOTAL JOBS CREATED / TOP 3 INITIATIVES	JOBS CREATED	JOBS LOST/DIS-PLACED BY OTHER INITIATIVES	NET TOTAL JOBS CREATED IN YEAR	METHOD OF VALIDATING JOBS CREATED/ LOST
Total (all initiatives)				
2018/2019	1,331	None	1,331	List with names and ID numbers
2019/2020	1,166	None	1,166	List with names and ID numbers
2020/2021	354	46	354	List with names and ID numbers
2021/2022	857	None	857	List with names and ID numbers
T 3.11.5				

JOB CREATION THROUGH EPWP* PROJECTS		
DETAILS	EPWP PROJECTS	JOBS CREATED THROUGH EPWP PROJECTS
2018/19	52	3,100
2019/20	41	6,164
2020/2021	43	5,660
2021/2022	50	6,006
T 3.11.6		

EMPLOYEES: LOCAL ECONOMIC DEVELOPMENT SERVICES					
JOB LEVEL	YEAR 201202021	YEAR 2021/2022			
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
0 - 3	17	17	17	0	0%
4 - 6	17	19	16	3	15.8%
7 - 9	18	14	14	0	0%
10 - 12	16	23	20	3	13.0%
13 - 15	4	2	2	0	0%
16 - 18	7	5	5	0	0%
19 - 20	2	4	4	0	0%
Total	81	84	78	6	7.1%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.11.8

FINANCIAL PERFORMANCE 2021/2022: LOCAL ECONOMIC DEVELOPMENT SERVICES R'000					
DETAILS	2020/2021	2021/2022			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
<b>Total Operational Revenue</b>	<b>163 313</b>	<b>73 213</b>	<b>60 846</b>	<b>45 405</b>	<b>-61%</b>
Expenditure:					
Employees	47 848	35 886	44 733	68 182	47%
Repairs and Maintenance	31 981	1 436	1 636	1 645	13%
Other	35 352	260 009	277 663	114 505	-127%
<b>Total Operational Expenditure</b>	<b>115 181</b>	<b>297 331</b>	<b>324 032</b>	<b>184 332</b>	<b>-61%</b>
<b>Net Operational Expenditure</b>	<b>(48 131)</b>	<b>224 118</b>	<b>263 187</b>	<b>138 927</b>	<b>-61%</b>

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.*

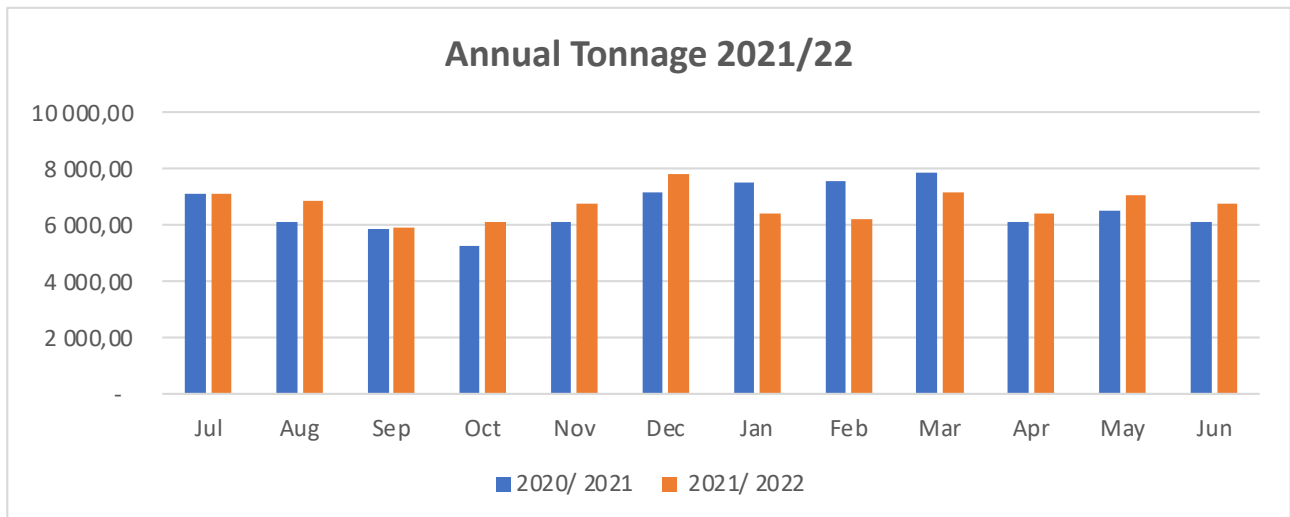
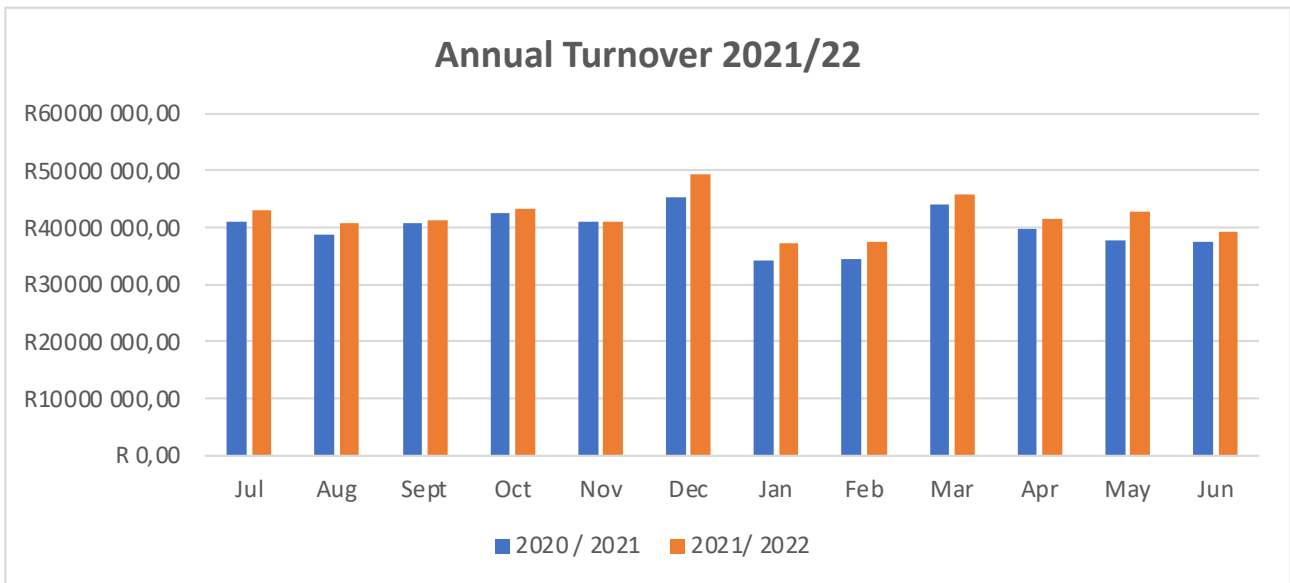
T 3.11.9

CAPITAL EXPENDITURE 2021/2022: ECONOMIC DEVELOPMENT SERVICES R' 000					
CAPITAL PROJECTS	BUDGET	2021/2022			
		ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
<b>Total All</b>	<b>72 500</b>	<b>91 479</b>	<b>59 768</b>	<b>-21%</b>	
BUILDING OF MEMORIAL STONES	1 500	–	–	0%	2 800
KIWANE RESORT MAINTENANCE & UPGRADE	500	500	437	-14%	1 500
CONSTRUCTION OF CABIN ACCOMMODATION	1 000	–	–	0%	3 750
EXTENSION OF MDANTSANE ART CENTRE	3 000	3 000	–	0%	7 500
HYDROPONICS AND PACKHOUSE - WARD 22	6 000	6 000	–	0%	20 500
HYDROPONICS AND PACKHOUSE PROJECT	8 000	12 833	12 833	38%	21 833
IMPROVE ACCESS ROAD AND ROAD SIGNAGE	3 000	8 798	6 416	53%	16 298
INFORMAL TRADE (HAWKER STALLS)	5 000	5 000	2 983	-68%	16 000
INFORMAL TRADE INFRASTRUCTURE (Hawker Stalls)	5 000	3 000	2 924	-71%	16 000
FILM STUDIO DEVELOPMENT	2 500	–	–	0%	3 300
INSTALLATION OF RECREATIONAL FACILITIES	500	–	–	0%	2 000
KWT ART CENTRE	2 000	–	–	0%	2 800
SMME INCUBATOR	500	500	246	-103%	1 500

CAPITAL EXPENDITURE 2021/2022: ECONOMIC DEVELOPMENT SERVICES R' 000					
CAPITAL PROJECTS	BUDGET	ADJUST- MENT BUDGET	2021/2022		TOTAL PROJECT VALUE
			ACTUAL EX- PENDITURE	VARIANCE FROM ORIGI- NAL BUDGET	
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500	500	463	-8%	1 300
RESTORATION OF CATTLE KILLING HERITAGE IN KWT	1 000	-	-	0%	-
REVITALISATION OF INDUSTRIAL AREA	2 000	1 000	449	-345%	4 000
REVITALISATION OF INDUSTRIAL AREAS	5 000	5 000	5 000	0%	12 000
TOURISM HUB	2 000	2 000	783	-155%	6 700
UPGRADING OF BUILDINGS	1 000	1 000	861	-16%	3 000
UPGRADING OF MARKET HALL	5 500	3 050	2 669	-106%	26 050
UPGRADING OF COLD ROOMS	-	331	-	0%	331
PURCHASE OF BOOM LIFT	-	1 319	1 319	100%	1 319
PURCHASE OF BOOM LIFT	-	170	-	0%	170
UPGRADE OF WATER SUPPLY	-	800	715	100%	800
FORT JACKSON JUNCTION HUB	5 000	-	-	0%	15 000
AGRI-VILLAGE	5 000	9 122	8 705	43%	24 122
SMME INCUBATOR: SEKUNJALO TRAINING CENTRE	7 000	10 894	3 894	-80%	13 894
UPGRADING OF MARKET HALL c/o	-	180	154	100%	180
CONSTRUCTION OF WASTE AREA c/o	-	244	227	100%	244
EXPANSION OF GUARD HOUSE AND GATE c/o	-	1 135	757	100%	1 135
PLANT AND EQUIPMENT c/o	-	267	264	100%	267
UPGRADING OF BUILDINGS c/o	-	321	316	100%	321
INFORMAL TRADE (HAWKER STALLS) c/o	-	517	348	100%	517
REVITALISATION OF INDUSTRIAL AREA c/o	-	261	-	0%	261
HYDROPONICS AND PACKHOUSE c/o	-	475	347	100%	475
EXTENSION OF MDANTSANE ART CENTRE c/o	-	2 959	389	100%	2 959
BUILDING OF MEMORIAL STONES c/o	-	992	700	100%	992
INSTALLATION OF RECREATIONAL FACILITIES c/o	-	341	116	100%	341
FENCING OF WORLD WAR 1 c/o	-	1 223	1 062	100%	1 223
RESTORATION OF CATTLE KILLING HERITAGE IN KWT c/o	-	1 000	-	0%	1 000

CAPITAL EXPENDITURE 2021/2022: ECONOMIC DEVELOPMENT SERVICES R' 000					
CAPITAL PROJECTS	BUDGET	ADJUST- MENT BUDGET	2021/2022		TOTAL PROJECT VALUE
			ACTUAL EX- PENDITURE	VARIANCE FROM ORIGI- NAL BUDGET	
EXTENSION OF MDANTSANE ART CENTRE c/o	–	1 997	–	0%	1 997
IMPROVE ACCESS ROAD AND ROAD SIGNAGE c/o	–	4 750	4 391	100%	4 750

*Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.11.10*





**Comparative section sales in both turnover and mass share performance for the 2021/2022 sales period**

**Potato section**

Top seller section with annual turnover share of 33% and annual mass of 39% annual mass compared to all other sections.

**Banana section**

Second

Fruit

Collection

turnover

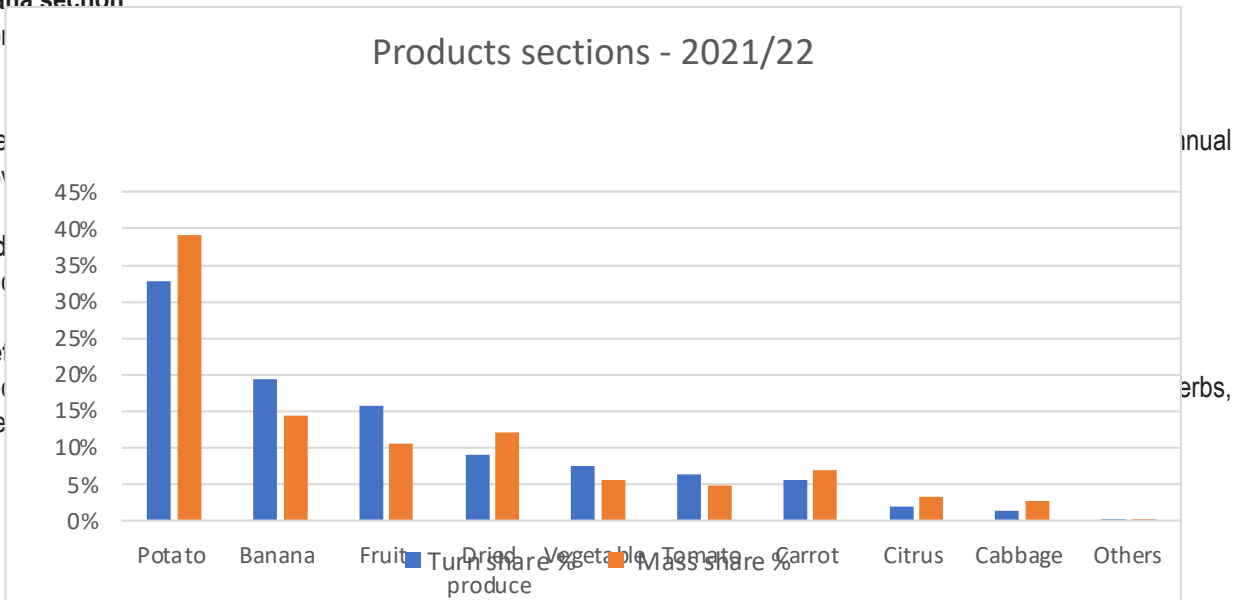
Dried

Collection

Vegetable

Collection

chillie



**ALL TEN SECTION SALES (01 July 2021 - 30 June 2022)**

SECTION	TURNOVER	MASS	Annual Turn %	Annual Mass %
Potato	164 889 657.84	31 632 650	33%	39%
Banana	97 988 435.00	11 633 472	19%	14%
Fruit	79 716 948.79	8 597 123	16%	11%
Dried produce	45 283 788.55	9 809 737	9%	12%
Vegetable	37 828 239.19	4 530 133	8%	6%
Tomato	31 877 584.13	3 973 853	6%	5%
Carrot	28 100 890.90	5 669 902	6%	7%
Citrus	10 095 515.10	2 590 316	2%	3%
Cabbage	7 019 161.14	2 205 124	1%	3%
Others	651 976.75	16 705	0%	0%
<b>TEN SECTIONS</b>	<b>503 452 197.39</b>	<b>80 659 015</b>	<b>100%</b>	<b>100%</b>

**1. POTATO SECTION R 164,889,658 31,632,650 Metric tons**

The section is the top best seller of the ten sections leading with 33% turnover growth share and 39% mass growth compared to the other nine sections. The section's annual turnover amount is R164,889,658 and its total sales tonnage of 31,632,650. These figures increased by 7% compared to the previous sales period R154,426,489, whilst capacity also increased by 6% compared to 29,913 (the previous period).

During 2022 sales, the system registered 127 potato suppliers with 18 varieties received from various commercial farmers within RSA provinces. These provinces included:

- Free State province suppliers' system registered 32 suppliers with annual sales of over R80 million sales and 47% potato section total sales,
- Limpopo Province suppliers' system registered 11 suppliers with annual sales of over R 27 million and 17% of the section's total sales.
- Eastern Cape province system registered 32 suppliers with R 27 million in sales and 16% of total sales.
- Western Cape Province system registered 15 suppliers with over R 13 million sales and 8% of the section sales.
- Northern Cape Province system registered 12 suppliers with over R 13 million sales and 8% section sales.

**Potato varieties sold for 2022**

Eighteen potato varieties received and sold as follows:

- Potato Sifra top seller product with R70.5 million sales and 14,175,516 tons sold. The mass percentage sold is 18% of the annual sales value.
- Potato Mondial is the second-best seller with R 69.2 million in sales and 13,129,905 tons sold, mass percentage sold is 16% of annual sales value.
- Potato others variety sales value is R 9.7 million and 1,886,615 tons sold; mass percentage sold is 2% of annual sales value.

Annual POTATO top suppliers for 2021/2022 sales

SUPPLIER NAME	SUPPLIER AREA	SUPPLIER PROVINCE	TURNOVER	TONNAGE	22/21 SECTION TURN %
		ate	R		
		n Cape	F		
		o	F		
		ate	F		
		o	F		
		ate	F		
		ate	F		
		ate	F		

Kal Boedery Dendron	Dendron	Limpopo	R3,634,202	622,300	2%
Lutron Trust	Petrusburg	Free State	R3,584,889	889,178	2%

## 2. BANANA SECTION R97,988,435 11,633,472 Metric tons

Bananas are the second top seller after potatoes, with a 12% annual turnover growth and 9% mass growth. The section's annual turnover is R 97 988 435, and tonnage sold is 11,633,472. The mass sales in 2022 statistics reveal an increase of 15%, while turnover increased by only 6%. The number of Banana suppliers increased by 50% as the system registered 14 banana suppliers in 2022. The section offers three varieties in a packaging of 18kg boxes as follows:

### Banana Lower Grade (BALG)

#### Average paid per 18kg box R144

The market sold 7,633,098 Metric tons of lower-grade banana varieties and a turnover value of R60.9 million. The section variety is the third top seller product after Sifra and Mondial potatoes. It is one of the popular best sellers of the market with 12% annual turnover rate sales and 9% tonnage rate sales. These are 100% supplied by KwaZulu Natal Banana suppliers.

### Banana (BANN)

#### Average paid per 18kg box R171

This variety is the fourth top seller product on the market sales floor, and 3,707,694 metric tons were sold and turnover value of R 35.1 million. These are received from both KwaZulu Natal and Mpumalanga Provinces.

### Banana finger (BALS)

#### Average price paid per 18kg box R109

The banana finger variety is a very small banana in shape, and most of the time, they ripen quickly and are poor in quality.

Annual banana top five suppliers 2021/2022

- Kwa Natal Banana Comp - KwaZulu Natal
- Libombo Banana - Mpumalanga
- KMW Marketing (PTY)LTD - KwaZulu Natal
- RAP Fresh - Mpumalanga
- East Africa Fruit - Mpumalanga

## 3. FRUIT PRODUCTS SECTION R 79 716 949 8 597 123 Metric tons

The fruit section offers various products like apples, pears, peaches, grapes, mango, avocado, berries, melons, litchie, prunes, etc.

During 2022 sales, twenty-six (26) fruit products were sold, each containing numerous varieties or item sales. The system has records of over thirty (30) fruit suppliers from various Western Cape areas, and the number includes local provincial supportive fruit and vegetable suppliers.

FRUIT SECTION TOP FRUIT BEST SELLERS 2021/2022						
PRODUCT DESCRIPTION	ANNUAL TURNOVER	ANNUAL MASS	SECTION TURN %	SECTION MASS %	ANNUAL TURN %	ANNUAL MASS %
AP - Apples (23)	27,968,399.73	3 428 267	35%	40%	7%	6%
PR - Pears (12)	13,104,186.52	1 760 935	16%	20%	3%	3%
PE - Peach (38)	7,987,166.50	650,533	10%	8%	2%	1%
NE - Nectarine (40)	7,150,634.30	439,063	9%	5%	2%	1%
GR - Grapes (34)	6,603,131.30	298,253	8%	3%	2%	0%
PL - Plum (32)	4,631,450.48	491,250	6%	6%	1%	1%
PI - Pineapple (2)	4,086,491.04	875,681	5%	10%	1%	1%
MA - Mango (6)	2,821,593.50	194,398	4%	2%	1%	0%
AV - Avocado (9)	1,770,123.05	96,761	2%	1%	0%	0%
ME - Melon (4)	1,326,537.12	233,422	2%	3%	0%	0%

The fruit section, during annual performance assessment statistics, shows that it is the third top seller section after bananas, with 16% annual turnover share and 11% mass share. The section has increased its annual turnover by 6% compared to 75,205,925 (turnover for the previous period). However, the tonnage sales decreased by a massive 27% compared to 11,744,418 metric tons for the 2020/2021 sales period.

The below statistics show sales performances on fruit section top seller products.

### 3.1 APPLES & PEARS fruit products **R41,072,586.25** **5,189,202 metric tons**

#### Apples Fruit varieties

Apples are a top seller in the fruit section, with over twenty-three (23) apple varieties sold during 2022 sales. Above 3,000 tons of apples were sold, with stats showing a 6% turnover increase and zero movements in tonnage sales. The section turnover percentage is 16% and mass 40% compared to other fruit product sections. Golden Delicious apples are the top sellers, with an annual turnover of over 19 million and over 2,000 tons sold; the other popular apples liked by our customers are Starking apples, Top Red apples, and Granny Smith apples.

#### Pears Fruit varieties

Pears fruit products are the second top sellers of the fruit section with system-registered twelve (12) varieties sold and 1,761 tons of pear sales. The mass growth stats show a 13% and 14% turnover increase compared to the previous period. Pear Packham's Triumph is the best popular seller variety with R9.8 million in sales and 1,238 metric tons sold. Other most like pear products are Forelle, Rosemarie and Bon Cretien pears.

Apples and Pears fruit products combined total sales is R41,072,586 and tonnage 5,189,202 (total value percentage 42%) and third best sellers after Banana (BANN). Apples and pears are received from various areas of Western Cape province, with 41 farmers registered for 2022 (including local supportive and non-allocated farmers).

Top suppliers for Apples and Pears fruit products:

- Core Fruit (Paarl, Western Cape) total mass 774,904 (apples and pears)
- Du Toit Vrugte (Ceres, Western Cape) total mass 735,722 (apples and pears)
- De Wet Vrugte en Vervoed (Stellenbosch, Western Cape) total mass 734,562 (apples and pears)
- De Keur (Ceres, Western Cape) total mass 363,218
- Long River Farms (Ceres, Western Cape) total mass 277,482 (apples and pears)
- Wolfpack (Ceres, Western Cape) total mass 257,715 (pears)

**3.2 Seasonal Fruit collective products****R26,372,382.58****1,879,099 metric tons****Peach**

Peaches are the best-selling seasonal fruit with R7.9 million turnover and statistics revealing a 4% increase compared to the previous period. The mass sales details are not certain due to incorrect packaging information during system capturing. However, the statistics reveal a 9% decrease in mass sales during 2021/2022. The section share turnover share percentage is 10% and 8% mass. The system has recorded thirty-eight (38) peach variety products received with an annual turnover share of 3%. Yellow Cling, Keisie and Kakamas peaches are the most popular peach varieties sold.

**Nectarines**

Nectarines had a R7.1 million turnover, and statistics reveal a 54% turnover increase compared to previous period sales. The mass details are not certain due to incorrect packaging information during system capturing; however, statistics show a 63% increase in mass during 2021/2022 sales compared to the previous sales period. The section share turnover share percentage is 9% and 5% mass. The system has recorded 49 nectarine variety products received with an annual turnover share of 2%.

**Grapes**

Grapes had R6.6 million in sales and a sales decrease of 9% (turnover) compared to the previous sales period. Mass uncertain details due to reasons of incorrect packaging information during system capturing. The system registered 34 grape varieties sold for 2022 sales. The section share turnover share percentage is 8% and 3% mass and annual turnover share of 2%.

**Plums**

Plums had R4.6 million in sales and increased by 16% (turnover) compared to the previous sales period. Slightly increase in mass sales is due to incorrect weight packaging capturing details. The system has registered 32 plum varieties sold during 2022 sales. The section share turnover share percentage is 6%, both turnover and mass and mass turnover share of 1%.

**Mango**

Mangoes had R2.8 million in sales and increased by 51% (turnover) compared to the previous sales period. Mass uncertain details are due to incorrect information during system capturing. The system has registered six mango varieties sold during 2022 sales. The section share turnover share percentage is 4%, with an annual turnover share of 1%.

**Top suppliers seasonal fruit products 2021/2022:****Households buyer category annual sales**

**R24,558,828 Turnover                      4,598,051 Mass**

The category group system registered 1,835 buyers with an annual collective turnover of over R24.5 million and a 32% increase compared to R18,600,816 in the previous sales period. Tonnage increased by 25% compared to 3,667,062 from the last period. The category group share percentage is 5% turnover and 6% mass compared to other buyer categories.

**Institution /Organisation buyer category annual sales**

**R12,636,412 Turnover                      2,048,726 Mass**

The category group system registered 30 buyers with an annual collective turnover of over R12.6 million and a 74% increase compared to R7,255,094 in the previous sales period. Tonnage increased by 81% compared to 1,134,333 from the prior period. The category group share percentage is 3% turnover and 3% mass compared to other buyer categories.

**Platform traders buyer category annual sales**

**R2,651,928 Turnover                      401,615 Mass**

The system registered 30 buyers with an annual collective turnover of over R2.6 million and a 86% decrease compared to the previous sales period. Tonnage also decreased by 88% in the prior period. The category group share percentage is 1% turnover and 0% mass compared to other buyer categories.





## Onions

Sales increased by 4% turnover from R43,702,284 (turnover from the previous period) to R45,283,789 during the 2021/2022 sales period, while tonnage sales increased by 10% from 8,905,359 (previous sales tonnage) to 8,597,123 for the current sales period. The section's annual share percentage is 9% turnover and 12% mass compared to other product sections. Seven onion varieties were sold, with brown onion variety sales of R29.1 million and 5 699 tons, followed by white onion with R14.3 million sales and tonnage of 782 tons.





**Hospitality/food outlet buyer category annual sales**  
**R31,539,415 Turnover 4,406,582 Mass**

The category group system registered 88 with an annual collective turnover of over R31.5 million and statistics reveal a 32% increase compared to R2,612,555 in previous sales periods. Tonnage increased by 100% compared to 455,763 from the previous period. The category group share percentage is 6% turnover and 5% mass compared to other buyer categories. Two top buyers collective value is R27,300,042 turnover and mass 3,710,097.

**Households buyer category annual sales**  
**R24,558,828 Turnover 4,598,051 Mass**

The category group system registered 1 835 buyers with an annual collective turnover of over R 24.5 million and 32% increase compared to R 18 600 816 of the previous sales period. Tonnage increased by 25% compared to 3 667 062 from the previous period. The category group share percentage is 5% turnover and 6% mass compared to other buyer categories.

**Institution /Organisation buyer category annual sales**  
**R 12 636 412 Turnover 2 048 726 Mass**

The category group system has registered 30 buyers with an annual collective turnover of over R 12.6 million and a 74% increase compared to R7,255,094 of the previous sales period. Tonnage increased by 81% compared to 1 134 333 from the previous period. The category group share percentage is 3% turnover and 3% mass compared to other buyer categories.

**Platform traders buyer category annual sales**  
**R 2 651 928 Turnover 401 615 Mass**

The system has registered 30 buyers with an annual collective turnover of over R 2.6 million and a 86% decrease compared to the previous sales period. Tonnage also decreased by 88% from the previous period. The category group share percentage is 1% turnover and 0% mass compared to other buyer categories.

**Non-categorised buyer category annual sales**  
**R1,642,788 Turnover 3,100,497 Mass**

The category group system registered 116 buyers with an annual collective turnover of R1.6 million and a 86% decrease compared to R7,255,094 in the previous sales period. Tonnage increased by 81% compared to 1,134,333 from the previous period. The category group share percentage is 3% turnover and 3% mass compared to other buyer categories.

## **C. ENTERPRISE DEVELOPMENT UNIT**

According to the Global Entrepreneurship Monitor (GEM) South Africa 2021/2022 Report, the business discontinuance rate, including businesses sold or closed, increased from 4,9% in 2019 to 13,9%, with South Africa the third worst on this indicator. The impact of the Covid-19 pandemic was a key driver of businesses closing shop, along with businesses being unprofitable and problems in accessing finance.

Businesses within the City continue to experience challenges and have not yet recovered from the pandemic even though lockdown regulations and the national state of disaster have been lifted. About 20 businesses, including Sky Toshiba (a printing company) and New City Stationers continue to close and leave the City.

### **Challenges faced by SMMEs**

SMMEs are pursuing new strategies to support their businesses during this time:

- Leverage technology to reach new customers or provide a distinctive value proposition - digital and new technologies create an opportunity for SMMEs to enhance their reach and efficiency at lower costs, overcoming

the scale disadvantage they have relative to larger players.

- SMMEs focus on key areas of competitiveness in their value chain, product and operations and identify the best technology to enhance competitiveness.

The Unit has implemented the following programmes to support businesses within the City as part of the recovery plan under a tight budget of R7 million that the Unit had which has subsequently been allocated for the hawker stalls:

#### **Infrastructure for informal trade sector – Hawker stalls**

The informal economy comprises more than half of the labour force and more than 90% of micro and small enterprises (MSEs). Informality is an important characteristic of labour markets in the world, with millions of economic units operating and hundreds of millions of workers pursuing their livelihoods in conditions of informality.

The expression “informal economy” encompasses many situations and phenomena. Indeed, the informal economy manifests itself in various forms across and within economies. Small or undefined workplaces often characterise work in the informal economy, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours, and lack of access to information, markets, finance, training and technology. The City supports the informal trade sector by providing infrastructure to bring dignity to our people and providing shelter and storage facilities.

During the 2021/22 financial year, the City refurbished and built hawker stalls at Nompumelelo and Ducats in Ward 15.

Nompumelelo Hawker Stalls – Ten hawker stalls (in the form of containers) have been built at Nompumelelo township amounting to R1,423,525,70. Ten beneficiaries have benefited from the programme, and they operate in the following sectors:







## PARTNERSHIPS – KEY HIGHLIGHTS

Area-based partnerships between different development actors or stakeholders become integral in economic development and leveraging scarce resources. The City entered into a partnership agreement with the Eastern Cape Development Corporation, Yellow Pages and Nelson Mandela iHub with the intention of establishing an iHub in Duncan Village.

An iHub is one of the key business incubator setups to support innovation-driven Small, Medium and Micro Enterprises (SMMEs) in the Information Communication Technology (ICT) sector. The incubators are instrumental in developing ICT SMMEs and help make a mark for themselves on the Country and global stage.

The iHub incubation model focuses on ensuring that adequate interventions are provided for incubates at the right phase of their development. The iHub approach of digital hubs is premised on the need to expand the iHubs footprint into areas that have no effective business support services, such as townships and rural areas. The objectives that can be outlined for the iHub are as follows:

- Establishment of a competitive and inclusive multi-stakeholder innovation platform.
- Create a platform for innovators and industry to work together.
- Create access to seed funding through leveraging partnerships with both public and private sector organisations.
- Create a coordination mechanism for the various programmes related to technology development in the province.
- Leverage the research and development capability of the local universities and other institutions to develop the provincial economy.

The Duncan Village iHub is implemented fully by the Nelson Mandela iHub as an institution with expertise in running this kind of business. A selection criterion was developed and advertised on various platforms inviting interested MSEs that are operating in the IT space to submit their proposals for consideration and participation in the hub.

Below is the list of new tenants or businesses that operates at the iHub:

COMPANY NAME	DIRECTOR	GENDER	DESCRIPTION	INTERVENTION
Rutilogix	Nosipho Mavuso	Female	Software development company that also provides ICT consultancy services	Growth plan, marketing strategy and training needs analysis
Compu Aid Solutions	Siyabonga Maqoma	Male	Software Development, network installation, and computer repair company	Growth plan, marketing strategy and training needs analysis
AGM Solutions	Anga Matsuluka	Male	Agri-tech software solution (App) that provides farming solutions to non-	Growth plan, product analysis and
			farmers and farmers, including an eCommerce platform.	training needs analysis
OTech	Phiwokuhle Nogemane	Male	Software and app developer	Growth plan, marketing strategy and training needs analysis

### Capacity Building Programme:



### ***Information Sharing***

Due to budget limitations within the Unit, MSE training could not be hosted under the programme, but information sharing for newly registered businesses was hosted and was attended by 30 companies. The session was hosted in order to share information on areas of compliance that businesses need to adhere to when running a business. Amongst the institutions that presented were the South African Revenue Services (SARS) and the Department of Economic Development and Environmental Affairs (DEDEAT). This session was held in the Mdantsane region.

In collaboration with the DEDEAT, LRED funding opportunity information sharing sessions were held in all three regions of the Metro. The objective of LRED funding was to support Eastern Cape-based entities that aim to stimulate economic growth in the province. The session was attended by MSEs.

### ***Financial Support/ Opportunities Seminar***

The seminar was hosted for MSEs operating in eQonce and was attended by fifty-one MSEs. ECDC and DEDEAT presented various funding opportunities that are available for both start-up businesses and fully-fledged businesses.

### ***Equipment and Machinery***

The Unit also supports MSEs with the procurement of equipment and machinery. Due to financial challenges experienced by the Unit, only one business, Ebenezer Funeral Palour could be supported during the financial year. The business was established in May 2017 and offers burial services. It employs more than five people and operates in Ward 34. The equipment included a lowering device, stretch tents, stands, and mats amounts to R130,000.00.







*Nkqonqweni Shade net***FOOD SECURITY PROGRAMME**

Table 1

	NAME OF PROJECT / FARMER	LOCATION / VILLAGE	GOODS RECEIVED
1	Masakhane Africa Youth Project	Mbekweni	Seedlings and garden tools
2	Dwala Garden Project	Kuni village	Seedlings
3	Siyakhula Food Project	Duncan Village	Seedlings and garden tools
4	Amadlambe Community Garden	Ndevana	Seedlings
5	Sikhulule Food Garden	Mdantsane	Seedlings and garden tools
6	Amandla Project	Mount Coke	Seedlings
7.	Zenzele Women Farming	Nonkcampa	Seedlings, fertilizers
8.	Imveliso Community Garden	Needs Camp	Seedlings and garden tools

BCMM supported various distressed emerging farmers and communities with production inputs in the form of vegetable seedlings, fertilizers, pesticides and animal feed. Apart from basic nutrition, food security is linked to economic stability, long-term health, women's empowerment and the environment. The project beneficiaries were from various wards within the City; and the following are the list of beneficiaries:

- Kuhle Primary Cooperative at Ntabozuko with 7 beneficiaries, they received chicken feed and point of lays.

Table 2: Beneficiaries provided with production inputs

	NAME OF PROJECT FARMER	LOCATION   VILLAGE	GOODS RECEIVED
1	Khululeka Egg Producers	Bhongweni , Fort Grey	20 bags and incubator
2	Mr. Maloyi	Dimbaza	20 bags
3	Nomzamo Poultry	NU 3, Mdantsane	25 bags



4	Isitha Piggeries	Ndevana	25 bags
5	Lingelethu Chickens	Zikhova, Tsholomnqa	20 bags and incubator
6	Abatsha Farming	Sikhobeni, Bhisho,	25 bags
7.	Simanye Women Group	Qongqotha	25 bags
8	Mrs Maziko	Dongwe, Tshabo	20 bags and incubator

Table 3: The following inputs were delivered to various projects or farmers

DESCRIPTION	UNITS	QUANTITY
Broiler Starter	40 k	45
Broiler Finisher	40 k	45







## **Urban Food Systems / Public Employment Programme**

### ***Training in Organic Farming Systems***

The Metro highlighted in its economic recovery plan the need to address food security for its most vulnerable communities. The objective of the programme is to meet the basic needs of vulnerable poor communities through food production while imparting skills for sustainability. The main purpose of partnering with the Rural Livelihoods (Ruliv) Programme as an implementing partner is to train participants in Organic Farming Systems, which is an unconventional farming method.

Training has been undertaken in two sites (Mngqesha and Qongqotha) and is in progressing very well. During the time of



reporting, the Mdantsane site was still outstanding and scheduled to commence on the 19th to 23rd September 2022 due to technical challenges, which were addressed by the Ward Councillor, Agriculture Unit and the implementer. Participants





T3.11.2

### **COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL**

In the 2021/2022 financial year the Directorate of Economic Development received a significantly reduced budget. The budget for the Tourism, Arts, Culture and Heritage programme was also highly affected. A budget of R500,000 was allocated for operating projects, whilst a budget of R2,000,000 was allocated for capital projects.

The Fresh Produce Market distributed 80,659 tons of fresh produce for the 2021/2022 financial sales and our statistics reveal an increase of 2% compared to 79,249 from the previous sales period (2020/2021). The 2% tonnage sales increase is a tremendous improvement compared to -4% (decrease) in 2020/2021 and -3% (decrease) during 2019/2020.

The annual turnover for the 2021/2022 financial period increased by 5% from R477,318,360 (the previous period) to R503,452,197 turnover during the 2021/22 sales. The Fresh Produce Market made an increase of R26,133,837 in revenue. The 5% increase is a tremendous achievement compared to the 4% of the previous period 2021/2020 and a 2% turnover increase during 2019/2020 sales. These figures are supported by an increase in the annual tonnage sold and the increase in market rand value per ton. The rand value per ton increased from R6,023 to R6,242 in 2022 with a sales difference of R219 in rand per ton. The introduction of new products and improvement of customer service delivery by both agents and BCMM staff has landed the City a R26.1 million sales achievement.

### **E. TRADE & INVESTMENT PROMOTIONS UNIT**

An export-led growth strategy is one where the Country / Province and the City seek economic development by opening itself up to international trade. Therefore the City seeks to achieve this through a partnership agreement with the ECDC. The Metro contributes resources towards driving export development programmes through the Buffalo City Export Helpdesk housed at the ECDC.

The City is committed to creating a vibrant export culture, providing trade information services and advice and assisting companies in overcoming international market access barriers for the growth, profitability and survival of MSEs.

The programme is aligned with the Integrated National Export Development Strategy, which outlines that to develop exports properly, the following should be considered:

- Develop new exporters
- Retain existing exporters and
- Attract new exporters

Several Companies have been supported to attend outward selling trade missions in various Countries like Kenya, Ethiopia, Accra – Ghana, Abidjan – Cote D'Ivoire, etc. The missions allow companies to access market opportunities.

### KENYA OUTWARD SELLING MISSION PARTICIPANTS

NO	COMPANY NAME	CONTACT PERSON	LOCATION	SECTOR
1	Divert Steel	T Skenqe	Dimbaza	Manufacturing
2	Lugaju Innovations	B Zuma	East London	Water Services

### SEMINARS / WEBINARS

The Export Helpdesk in collaboration with USAID Southern Africa Trade and Investment Hub (SATIhub) hosted a webinar on 9 July 2021, the virtual United States of America Market Entry Requirements and e-commerce workshop with US buyers, actively looks for unique products from South Africa and globally. The aim of the webinar was to expose emerging City suppliers with the United States of America markets, which they were not fully acquainted with, as well as the advantages provided by trading under the African Growth and Opportunities Act. Another area of focus by the Export Helpdesk was to lobby United States buyers that may be willing to engage and share with Buffalo City exporters in the food and beverage and agro-processing sectors. The session covered the following topics:

- Overview and Support under African Growth and Opportunities Act (AGOA)
- United States Food & Drug Administration-overview and step and step guidance
- Food Safety Modernization Act
- e-Commerce and listing on Amazon
- Experiences and success and challenges

The webinar equipped Buffalo City businesses with the tools and information they would require prior to entering into engagements and negotiations with potential US business partners as well as how to access and utilize the Amazon e-commerce platform. One hundred and fifty two MSE's attended the webinar.

### LOCAL TRADE SHOWS

A number of local trade shows were attended by various MSEs with an aim of exposing their brands or products to both local and international markets. In October 2021, seven BCMM businesses were exposed to a trade show that was held in Cape Town. The MSEs also had an opportunity to engage with buyers from abroad through an online platform which was part of the exhibition.

### SEVEN SMMES THAT ATTENDED THE EXHIBITION IN CAPE TOWN

NO	COMPANY NAME	CONTACT PERSON	LOCATION	SECTOR
1	SYLG Creations	Y Mona	East London	Creative Industry
2	Ozy Décor	Y Msutwana	East London	Creative Industry
3	Nini Originals	J Mathews	East London	Creative Industry
4	Refined Revolt	B Lize	East London	Creative Industry
5	Soyama Consulting	Z Ramncwana	East London	Creative Industry
6	Stardom Designs	B Mkhosana	East London	Creative Industry
7	Infix Creations	F Mlomo	East London	Creative Industry

T3.11.11



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component D: Community and Social Services**

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

### INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

#### 3.12 LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

#### INTRODUCTION TO LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

##### LIBRARY SERVICES

BCMM manages 18 libraries, two mobile libraries, three prison depots and three old age home depots, with 93,316 subscribers on behalf of the Provincial Government. The latter only subsidised the Metro's Libraries operating budget of R44,587,782 by R15,870,00 in the 2021/2022 financial year.

Libraries provide a service to all communities in the metro, especially to improve the lives of information-deprived communities that currently lack adequate access to information and books. The libraries stock fiction and non-fiction such as reference, study, autobiographies, travel, recipe books, etc., serving the adult, children and teen population. This includes pre-primary, primary and high school students from the surrounding areas of the libraries, tertiary students, working adults, unemployed adults and youth, and the aged.

The libraries are used vastly by the unemployed and job-seekers. Subscriptions assist them to certain newspapers which carry employment advertisements. Many users are illiterate or semi-literate, and part of the service is to help those complete the necessary documentation.

Libraries promote and provide Early Childhood Development programmes and the Joyful Reading initiative, where children from a very young age are encouraged to love books and to read. Programmes are held for caregivers on the importance of play in children's lives.

Outreach events are held regularly. Events such as National Library Week, National Book Week & World Play Day, some in partnership with the Department of Sport, Art & Recreation (DSRAC), are celebrated and seek to promote and encourage the usage and love of libraries and the importance of libraries to all members of all communities.

Libraries in Buffalo City must serve many diverse functions and needs, not only be a venue for reading and lending books but also focus on grass-roots education, empowerment and economic development, creating hubs for life-changing, community-based activities and programs. They also need to focus on the local practice and the grass-roots experience of making a community library a viable place to attain positive transformation and expand its scope to meet its community's changing needs and priorities.

Central and Gompo Libraries were chosen by the Eastern Cape Office of the Premier, DSRAC and the South African Library for the Blind to establish Mini-Libraries (Mini-Lib). These Mini-Libs will be used by the blind and partially sighted members in Buffalo City.

The South African Library for the Blind renders a library and information service for the blind and visually impaired people through the production of accessible South African reading material in developing a comprehensive library collection and rendering advisory services to promote access to information.

## Highlights

1. The purchase of Library material for all libraries in Buffalo City Metropolitan Municipality – approximately 6,600 new books covered most genres from non-fiction, fiction, African literature, political books, etc.
2. A new Mobile Library was received, which will service outlying areas where currently no library services are offered.
3. The Provincial Department of Sport, Recreation, Arts & Culture has made uncapped Wi-fi available to all BCMM Libraries over three years. This will make a difference to the public, i.e., job seekers, students and those doing research for work purposes and information.
4. The South African Library for the Blind and the Provincial Department of Sport, Recreation, Arts & Culture has donated a Mini-Lib for the Blind to Gompo Library.
5. Book donations were received at the approximate value of R200,000.00.
6. A new Container Library has been set up on the premises of Robbie de Lange Hall in Greenfields, providing a library service to the community.

## Challenges have been recorded in respect of the following:

- a) An insufficient/underfunded library subsidy received from the Provincial Department towards the running costs of all libraries in Buffalo City Metro, as well as the extension of library services into much-needed areas like Rural Areas
- b) Lack of Mobile Libraries to deliver library service to rural areas where no library service exists.

## Solutions/Remedial Action

- a) To engage with the DSRAC on the possibility of additional funds being allocated from their budget, as well as to provide DSRAC with statistics from libraries to prove where services are being extended.
- b) Mobile Libraries to be provided to Coastal, Midlands and Inland libraries

## COMMUNITY HALLS

BCMM manages 37 tariff-levying halls. These facilities are the erstwhile East London and King William's Town Transitional Local Council Halls and have been subsequently divided into Inland, Midlands and Coastal Areas. These Halls have an operating budget and staff.

The City inherited 53 non-tariff levying halls from the Amathole District Municipality. The BCMM Land Administration Division is currently facilitating the transfer of ownership of the various ex-Amathole District Municipality Halls to Buffalo City.

BCMM levies no tariff/s for these halls, and they have no operating budget and no staff. Many Community halls need upgrade and refurbishment, estimated to exceed R90 million.

Community halls and facilities provide a wide range of community-based education, cultural, recreational, health, social and leisure activity opportunities in conjunction with limited commercial options in venues that positively contribute to the local environment.

Community groups, organisations, commercial hirers and individuals use the community halls and facilities. Additionally, the landscape areas around Community Halls and Facilities complement the built environment and contribute to their usability and worth to the community.



## **SERVICE DELIVERY PRIORITIES**

1. To construct new Community halls to meet the needs of the communities within BCMM as requested through the IDP and funding availability. One community hall has successfully been built and handed over to the community, and two more are being developed.

2. To maintain, upgrade and refurbish existing community halls within BCMM to provide a basic level of functionality and service to the communities. Maintenance is carried out only at the 37 tariff levying halls, as required. Within the limited budget, to ensure that the facilities are operational and meet the needs of the communities. BCMM envisages upgrading at least five community halls yearly.

In cases where there is poor performance, this is due to the shortfall of budget to keep up with the extensive maintenance, upgrade and refurbishment that is required to be carried out on the halls and community facilities. The lack of armed response security systems and guards at the facilities also contributes to the continuous vandalism, increasing the need for additional budget. Measures taken to improve the performance are requesting a supplementary budget and identifying the facilities' security needs.

Under certain conditions and criteria, BCMM makes the halls and community facilities available to the communities for temporary housing. These are communities that are affected adversely during times of disaster and also free use for public gatherings and funerals.

## **ZOO**

The Zoo re-opened to the public following Covid-19. The Zoo provides a guaranteed opportunity for people to observe wild animals at close range and learn about the significance of conservation. The proximity of the Zoo to the centre of town and the relatively low entrance fees compared to local game parks makes it accessible to the local community.

## **AQUARIUM**

The Aquarium is a division under Community Development for the Directorate of Sport Recreation and Community Development. This public amenity contributes to the upliftment of the communities by conserving the environment, the community's education, and providing recreation and leisure opportunities for the communities and visitors of Buffalo City. The Aquarium offers a variety of animal species for public display and is one of the oldest Aquariums in the country. The Aquarium allows for a marine-based environment essential to communities forming and surrounding a coastal city. Over and above providing a public education mandate, the Aquarium is actively involved in managing wild animal aspects along the Metro coastline and all marine spaces within the boundaries of the Metro. Ecological and biological expertise is based at this facility, holistically addresses wildlife and natural heritage issues, and can be drawn upon by public, private and in-house departments.

*T3.12.1*

## **SERVICE STATISTICS FOR LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS ETC)**

### **Libraries – 2021/2022**

1. Number of BCMM Libraries – 18
2. Total Number of Library Visits – 117,350
3. Average Number of Library Visits per Library – 6,519.4
4. Number of New Members – 2,224
5. Number of Books Issued – 136,089

**Halls – 2021/2022**

1. Total Number of Halls Bookings – 2,165
2. Total Number of Free Usages (includes Council Use) - 1,901

**Zoo – 2021/2022**

2021/2022	ADULT	CHILD	SCHOLAR	PENSIONER	TOTAL
<b>TOTAL</b>	6,061	3,940	2,814	270	13,085

**Aquarium – 2021/2022**

The East London Aquarium is open to the public all year round. The Aquarium visitor number for the period July 2021 to June 2022 is 7,295. This number is higher than the last two years as the Aquarium is now fully open to the public with national Covid-19 restrictions removed:

VISITOR FIGURES 2021/2022	ADULTS	CHILDREN	SCHOLARS	PENSIONERS	TOTAL	BOAT REGISTRATIONS
<b>AQUARIUM</b>	4608	2630	1394	549	9181	75

Stranded and rehabilitated marine wildlife along the coastline is managed by the Aquarium and contributes back to the conservation and protection of our natural coastal heritage of the Metro.

MARINE STRANDING	Total Number	Rehabilitated	Non-Releasable	Deceased
African Penguins	0	0	0	0
Seals	6	2	0	4
Sea birds	11	0	3	8

T3.12.

**LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER POLICY OBJECTIVES TAKEN FROM IDP**

Service Objectives	Outline Service Targets	2020/2021		2020/2021		2021/2022	2022/2023	2023/2024	
		Target	Actual	Target	Actual	Target			
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	Following year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>To provide adequate amenities to serve all BCMM communities</b>	Number of Community Halls upgraded	1	1	1	4	4	4	5	5
	Number of beach facilities upgraded	2	2	2	3	3	3	5	5

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \* 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. \* 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role. T 3.12.3

**EMPLOYEES: LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER**

Job Level	Year 2020/2021	Year 2021/2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	99	106	96	10	9.4%
4 – 6	19	22	20	2	9.1%
7 – 9	67	79	68	11	13.9%
10 – 12	29	29	27	2	6.9%
13 – 15	3	4	3	1	25.0%
16 – 18	1	1	1	0	0%
19 – 20	0	0	0	0	0%
<b>Total</b>	<b>218</b>	<b>241</b>	<b>215</b>	<b>26</b>	<b>10.8%</b>

Totals should equate to those included in Chapter 4: Total Employee Schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.12.4

**FINANCIAL PERFORMANCE 2021/2022: LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER R'000**

Details	2020/2021	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>16 097</b>	<b>19 205</b>	<b>19 205</b>	<b>16 916</b>	<b>-14%</b>
Expenditure:					
Employees	73 979	109 542	101 075	101 074	-8%
Repairs and Maintenance	3 872	5 204	5 839	5 828	11%
Other	75 678	42 843	87 625	83 572	49%
<b>Total Operational Expenditure</b>	<b>153 529</b>	<b>157 589</b>	<b>194 538</b>	<b>190 474</b>	<b>17%</b>
<b>Net Operational Expenditure</b>	<b>137 432</b>	<b>138 385</b>	<b>175 333</b>	<b>173 558</b>	<b>20%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.12.5

**CAPITAL EXPENDITURE 2021/2022: LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER R'000**

Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>7 600</b>	<b>6 960</b>	<b>6 914</b>	<b>-10%</b>	
DEVELOPMENT OF C/HALLS & FACILITIES	1 000	910	910	-10%	2 300
HALLS-TOOLS AND EQUIPMENT	100	100	76	-31%	200
UPGR & REFURB EXIST C/HALLS & FACILITIES	2 000	1 971	1 971	-1%	1 500
CONSTRUCTION OF GESINI HALL	2 500	2 182	2 182	-15%	1 000
CONSTRUCTION OF NU 3 HALL WARD 14	2 000	1 739	1 739	-15%	500
HALLS-TOOLS AND EQUIPMENT c/o	-	57	35	100%	779

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.12.6

## **COMMENT ON THE PERFORMANCE OF LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC) OVERALL:**

### **LIBRARIES**

Anticipated further projects within Libraries:

1. Development, Upgrade & Refurbishment of Libraries – 4 libraries will be upgraded & refurbished in 2022/2023.
2. A new library will be established in Dimbaza.
3. A new mini library will be established at Scenery Park
4. A computer centre will open at Beacon Bay Library, enabling the community to access digital information.
5. A new mini-library will be established at Nompumelelo
6. eBooks will soon be available to the community who want to access digital books.

### **COMMUNITY HALLS**

The targets and actual performance for the Development, Upgrade and Refurbishment of Community Halls for the 2021/2022 financial year were as follows:

1. The Upgrade and Refurbishment of five Community Halls. Only three community halls were refurbished due to unforeseen budget cuts.
2. The Development of Gesini Community Hall – the Design Phase was completed in 2021/2022. The project is at Bid Stage for the appointment of a contractor to construct the community hall. The multi-year project will be completed in the 2023/2024 financial year.
3. The Development of NU3 Community Hall – the Design Phase was completed in 2021/2022. The project is at Bid Stage for the appointment of a contractor for the construction of the community hall. The multi-year project will be completed in the 2023/2024 financial year.

Year 5 targets in the IDP schedule can be attained within the approved budget provision if there are no unforeseen budget cuts. Targets are set based on the approved budget, hence targets set out in the IDP are envisaged to be achieved within the approved funding for the relative financial year. Should there be any variance, budget adjustments are made through the mid-year budget adjustment process.

The three largest capital projects from the budget for capital expenditure for the Development, Upgrade and Refurbishment of Community Halls are as follows:

1. The Development of Gesini Community Hall - The hall's construction is envisaged to start in 2022/2023 and to be completed in 2023/2024.
2. The Development of NU3 Community Hall - The hall's construction is envisaged to start in 2022/2023 and be completed in 2023/2024.
3. The continuation of Upgrading and Refurbishment of Community halls and Facilities - the annual target is to complete five projects each financial year, pending budget availability as set out in the IDP.

### **ZOO**

The Zoo refurbished the Sungazer, Primate, and Iguana enclosures, using annual contractors after the appointed service provider could not complete the work. The value for the completion of the entire project was R1 190 784.96.

An enclosure was upgraded for the Jaguar to the value of R 889 559.75, including the revamping of the night quarters, the construction of a swimming pool, and wooden platforms.

Various safety upgrades were done to the dangerous animal enclosures, including the Lions, Tiger Wolves and Chimpanzees. A perimeter fence that was being continually vandalised was removed and re-installed to secure the tiger and duiker enclosure.

## AQUARIUM

The Aquarium completed one of two capital projects during the year.

The completed project included the Refurbishment of the Aquarium's Live Animal Exhibit. The project for the Plant Aquarium budget was adjusted during the budget adjustment period, and funding was transferred out. T 3.12.7

## INTRODUCTION TO CEMETERIES & CREMATORIUMS

The Cemeteries & Crematoria Section is responsible for providing Burial and Cremation Services. Currently, there are 31 operational cemeteries spread across the three regions of BCMM and 1 Crematorium, which is based in Cambridge, East London. The top three service delivery priorities are upgrading and development, maintenance of existing and provision of additional burial space. T3.13.1

## SERVICE STATISTICS FOR CEMETERIES AND CREMATORIUMS

Statistics for 2021/22 are as follows:

Burials	2,345
Rural Burials	3,932
Pauper Burials	773
Cremations	1,537
Pauper Cremations	124

T 3.13.2

CEMETERIES AND CREMATORIUMS POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2020/2021		2021/2022		2022/2023	2023/2024		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Upgrading of cemeteries</b>	Number of cemeteries upgraded	5	5	5	5	3	5	5	5

*Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*'Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role. T 3.13.3*



EMPLOYEES: CEMETERIES AND CREMATORIIUMS					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	2	2	0	0%
4 – 6	123	129	116	13	10.1%
7 – 9	8	9	7	2	22.2%
10 – 12	1	2	1	1	50.0%
13 – 15	2	3	2	1	33.3%
16 – 18	1	1	1	0	0%
19 – 20	0	0	0	0	0%
<b>Total</b>	<b>137</b>	<b>146</b>	<b>129</b>	<b>17</b>	<b>11.6%</b>

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.13.4*

FINANCIAL PERFORMANCE 2021/22: CEMETERIES AND CREMATORIIUMS R'000					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
<b>Total Operational Revenue</b>	<b>10 761</b>	<b>14 041</b>	<b>14 041</b>	<b>8 404</b>	<b>-67%</b>
Expenditure:					
Employees	42 678	45 800	41 379	41 379	-11%
Repairs and Maintenance	4 121	1 703	6 588	6 588	74%
Other	47 283	40 438	42 707	42 687	5%
<b>Total Operational Expenditure</b>	<b>94 083</b>	<b>87 941</b>	<b>90 674</b>	<b>90 654</b>	<b>3%</b>
<b>Net Operational Expenditure</b>	<b>83 322</b>	<b>73 901</b>	<b>76 633</b>	<b>82 250</b>	<b>10%</b>

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.13.5*

CAPITAL EXPENDITURE 2021/2022: CEMETERIES AND CREMATORIIUMS R' 000					
CAPITAL PROJECTS	BUDGET	ADJUSTMENT BUDGET	2021/22		
			ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
<b>Total All</b>	<b>5 900</b>	<b>6 168</b>	<b>6 165</b>	<b>4%</b>	
PLANT AND EQUIPMENT (CEMETRIES)	200	110	108	-85%	200
COAST CEMETRIE (CAMBRIDGE CREMATORIIUM) 2	500	488	488	-2%	500
DEVELOPMENT OF CEMETERIES-COASTAL	1 000	1 829	1 828	45%	1 000
DEVELOPMENT OF CEMETERIES-IN-LAND	1 000	1 000	999	0%	1 000
DEVELOPMENT OF CEMETERIES-MID-LAND	1 000	896	896	-12%	1 000
INLAND CEMETERIES (KWT / CLUBVIEW)	500	494	494	-1%	500

CAPITAL EXPENDITURE 2021/2022: CEMETORIES AND CREMATORIUMS R' 000					
CAPITAL PROJECTS	2021/22				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
INLAND CEMETRIES (PHAKAMISA)	500	479	479	-4%	500
INLAND CEMETRIES (ZWELITSHA)	500	387	387	-29%	500
MIDLANDS CEMETRIES (FORT JACKSON)	200	-	-	0%	200
MIDLANDS CEMETRIES (MTSOTSO CEMETERY)	500	484	484	-3%	500
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.13.6</i>					

#### COMMENT ON THE PERFORMANCE OF CEMETERIES & CREMATORIUM OVERALL:

In the 2021/22 financial year, an amount of R5,900,000 million was budgeted for the upgrading and development of cemeteries across the three regions as per the list below, and the expenditure was 100%.

- 1) Cambridge Crematorium
- 2) Zwelitsha
- 3) Phakamisa
- 4) Haven Hills
- 5) Fort Jackson

BCMM assisted residents with the burial of paupers and unclaimed bodies from the following Government Forensic Facility; namely Woodbrook, Mdantsane and Bhisho forensic facilities.

Since the start of Covid-19 the City assists rural villages to dig graves.

T3.13.7

### 3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

#### INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Child care, aged care and social programmes are the mandate National and Provincial Department of Social Development. The metro as the sphere of government closest to communities acknowledges its role in ensuring that metro planning and budgeting processes are inclusive of all citizens including children and the aged as vulnerable groups highlights these as cross-cutting issues within the BCMM Integrated Development Plan (IDP). T 3.14.1

#### SERVICE STATISTICS FOR CHILD CARE

The Buffalo City Metropolitan Municipality Grant-In-Aid Programme invites annual applications for operational financial assistance from non-political and non-profit organizations outside the sphere of government for their operations thereby contributing to community development including Child Care, Aged Care and Social Programmes. The programme is administered in terms of Section 67 of the Municipal Finance Management Act and its budget has increased from R1,568,872.00 and 149 organizations benefiting R2, 750 000.00 with a total of 192 organizations benefiting .

Each of the 192 benefiting organizations were awarded between R10,000 and R20,000. The geographical budget allocation per region as follows:

- Coastal: R1,020,000.00 distributed amongst 49 Child Care Centres and 20 Other Social Programmes.
- Midland: R815,000.00 distributed amongst 42 Child Care Centres, 4 Aged Care Centres and 10 Other Social Programmes.
- Inland: R915,000.00 distributed as amongst 45 Child Care Centres; 8 Aged Care Centres and 15 Other Social Programmes.

CHILD CARE; AGED CARE; SOCIAL PROGRAMMES POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	Year -1 FY 17/18		2018/2019 FY 18/19			Year 3 FY 20/21		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Well Governed City</b>									
BCMM financial assistance targeting child care, aged and social programmes	Vulnerable groups beneficiation from metro financial assistance to non-profit community development initiatives	Handover Grant in Aid allocations FY 17/18	149 benefiting organizations	Handover Grant in Aid allocations FY 17/18	Handover Grant in Aid allocations FY 18/19	192 benefiting organizations	Handover Grant in Aid allocations FY 19/20	Handover Grant in Aid allocations FY 19/20	Handover Grant in Aid allocations FY 20/21
T 3.14.3									

**There was no financial performance for the unit during the year under review T 3.14.5**

**There was no capital expenditure for the unit during the year under review T 3.14.6**

#### COMMENT ON THE PERFORMANCE OF CHILD CARE; AGED CARE; SOCIAL PROGRAMMES OVERALL

Notwithstanding that the National and Provincial Department of Social Development are mandated with child care, aged care and social programmes, the metro is the sphere of government which communities reside in and to this end the metro strives to ensure the inclusion of vulnerable groups including children and the aged within its public participation, planning and budgeting processes.

This is evidenced in the increase of funding allocated to the metro Grant-In-Aid programme and benefiting Child Care, Aged Care and Social Programmes from R1,464,682.00 with 134 organizations benefitting in FY 16/17 to R1, 568,872.00 and 149 organizations benefitting R2, 750 000.00 with a total of 192 organizations benefitting.

Environmental Health Officers visit Early Childhood Development Centres as well as Aged Care Centres to assess compliance with health standards and monitoring thereof. The metro Older Persons Forums as elected from the Ward Committees in 2017 has undertaken awareness raising programmes in collaboration with other spheres of government including Provincial Department of Social Development, Chapter 9 Institutions like Commission for Gender Equality and Human Rights Commission as well as non-profit organizations.

The metro also continues to partner with Social Development by providing sport apparel and equipment for the Golden Games which is held annually for the elderly and where they participate in various sports codes. The metro does not implement any capital projects specifically for Child Care, Aged Care or Social Programmes as these are the mandate of the Department of Social Development. T 3.14.7

**There was no financial performance for the unit during the year under review. T 3.14.5**

**There was no capital expenditure for the unit during the year under review. T 3.14.6**



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component E: Environmental Protection**

## COMPONENT E: INTRODUCTION TO ENVIRONMENTAL PROTECTION

The metro is a diverse region with fauna, flora, and ecological linkages. The city's coastline is an asset, and citizens are the custodians of this asset. Hence free access to the coastal zone and nature reserves is promoted within the city's jurisdiction. The city has been impacted by landscape change due to habitat destruction and land degradation. The two functional coastal nature reserves are Nahoon Point and Nahoon Estuary Nature Reserves.

The two reserves allow the citizens to attain exposure to the various species within the reserves and serve as awareness & educational facilities on matters relating to nature conservation. Furthermore, these reserves allow for education and interaction with the natural heritage of BCMM. Various activities occurred during the 2021/22 financial year and attracted the public, tourists including schools. These include but are not limited to environmental education programmes, school excursions, bird watching, sightseeing and educational guides.

### BIODIVERSITY ASSESSMENT FOR PRIORITY AREAS WITHIN THE METRO

The Integrated Environmental Management Planning (IEMP) Unit within the Department: Environmental Management, in collaboration with Eastern Cape Parks and Tourism Agency (ECPTA), DEDEAT, South African National Biodiversity Institute (SANBI) and the East London Museum, conducted a Biodiversity Assessment in Nine (9) nature reserves within the city in 19/20 financial year and finalised this study in 2020/21 financial year. During the 2021/22 financial year, the city initiated the outcomes of the review panel, which supported the notion of the proclamation of the Nahoon Point Nature Reserve to be declared as a provincial nature reserve. The proclamation process entails land survey, consolidation and rezoning, which will be finalised in the 2022/23 financial year.

BCMM seeks to promote collaboration across all affected sectors regarding controlling, monitoring, and clearing alien invasive species within the city. The City forged good working relations with the Nahoon Estuary Management Forum. A Technical investigation on invasive species was conducted with various stakeholders, namely, BCMM internal departments, the Department of Forestry, Fisheries and DEDEAT, in July 2021 and finalised in November 2021.

The alien invasive plants that were removed in Lower Ridge Road, Torquay Road and Old Transkei Road (Ward 18) were Bugweed, Castor Oil plant, Balloon Vine, Lantana, Syringa trees, Morning Glory, Yellow Bell, Inkberry, Sesbania, Agave Sisalana, Giant Reed, Bamboo, Prickly Pear and Bougainvillea.

These alien invasive plants were then replaced with indigenous trees, namely Miletia, Grandis, Sideroxylon Inerme, Trichelia Dregeana, Schotia Brachypetala, Elaeodendron Croceum, Ceratonia Siliqua, Emhrina Lysistemon Gardenia and Thunbergia. This approach would ensure effective monitoring and evaluation, reducing the rate of the spread of alien invasions and their impacts.

After the above-mentioned programme, the city embarked on an awareness-raising and alien invasive plant clearing programme in all three regions (Coastal, Midland and Inland Regions). This was an initiative of the Ward Beautification Programme facilitated by the Executive Support Services Directorate.

The alien invasive plant clearing programme was executed in the following areas:

- Ward 17 (NU3 and NU4 Mdantsane)
- Ward 21 (NU12 and NU13)
- Ward 24 (NU15, Unit P, Mbekweni),
- Ward 30 (NU9),
- Ward 16 (Amalinda),
- Ward 42 (Mdantsane),
- Ward 27 (Gonubie),
- Ward 34 (Dimbaza),
- Ward 41 (King Williams Town)
- Ward 9 (Braelyn)
- Ward 1 (Ziphunzana)
- Ward 46 (Greenfields)
- Ward 39 (Braidbach)



**The cleared plants were Inkberry, yellow bell, giant reed, castor oil plant, morning glory and sesbania.**

#### **Wetland Management:**

The City commemorated Wetlands Day as part of the observation of the environmental calendar on the **15<sup>th</sup> - 17<sup>th</sup> of February 2022** in the three (3) regions. The wetlands day is celebrated with selected themes, and the 2022 event focused mainly on wetlands & climate change education. The schools that participated were Nkululeko Primary School ward 42, Zwelitsha Primary School ward 41 and Buffalo Flats ward 19. The city also planted two types of trees in each school, and the species were Kigelia, commonly known as the Sausage tree and the Dichrophylla, widely known as the Poison Star Apple.

#### **Implementation and monitoring of Climate Change programmes:**

The Municipality developed a Climate Risk & Vulnerability Assessment (CRVA) in-house; the assessment aimed to evaluate the vulnerability standards of the city's communities to climate change. Additionally, the assessment sought to prioritise and mainstream climate change adaptation into the development processes. The climate risk and vulnerability assessment was finalised and adopted by Council in January 2021. The city continues to monitor climate change programmes within the city through the developed climate change reporting template. Various directorates update the climate change reporting template every quarter, and the progress is therefore reported to the Council regularly.

#### **Environmental Education and awareness programmes:**

The Review of the Environmental Education and Public Training Strategy for the city was conducted and finalised during the 2021/22 financial year. The review was done in-house with assistance from the Department of Forestry, Fisheries & Environment through the Youth Coordinator Program (YCOP). The city embarked on full Environmental awareness-raising campaigns, which targeted ward committees of ward 5 in Scenery Park on the 13th of October 2021. This programme strengthened and broadened environmental awareness programmes and was aligned to the Arbor week celebration. The programme was hosted in partnership with the Department of Forestry, Fisheries and the Environment (DFFE) – Youth Community Outreach Programme (YCOP), Municipal Health Services and Solid Waste Management – Waste Minimization and Education Unit.

The city also conducted school excursions at the Nahoon Estuary Nature Reserve. The tours were conducted with Ebenezer Majombozi High School on 21 April 2022, Khulani Commercial High 12th April 2022 and Thembalabantu High School on 12 May 2022. The non-profit organisation Jonginenge continues to bring schools and the public to the Nahoon Estuary Environmental Education Centre as part of excursions. These visits assist in imparting knowledge to the public and school learners. The Conservation Officers and Reserve Rangers conducted Environmental Tour Guides at Nahoon Point Nature Reserve. Amongst the departments that were sightseeing were members from the Department of Agriculture, Schools, members of the public, Jonginenge NPO and Buffalo City Tourism, which brought tourists from various provinces.

#### **Coastal Protection:**

The Integrated Coastal Management Act (Act No. 24 of 2008) provides for institutional arrangements within the three spheres of government to promote a coordinated and integrated approach to coastal management. The city established a functional Municipal Coastal Committee in section 42 of the Integrated Coastal Management Act (ICM Act), which states that each municipality with jurisdiction over any part of the coastal zone may establish a municipal coastal committee for the city. The committee's main purpose is to implement and enforce compliance with the Integrated Coastal Management Act. Additionally, to oversee and give guidance on the environment and coastal management response options and actions, including disaster risk reductions for the city.

The city is responsible for promoting safe access to the coastal zone, and that access infrastructure is acceptable. The Nahoon Point Boardwalk was repaired and upgraded during the 2021/22 financial year. The boardwalk's repairs and upgrades comprised removing damaged flooring, supplying and constructing decking, and fitting new timber and vanishing. These refurbishments enhanced recreational activities in our estuaries and rivers as the city purchased 700 boat disks sold to the public for recreational purposes.

### **Development and Implementation of Estuarine Management Plans:**

DEDEAT, in collaboration with the City's IEMP Unit, prioritised developing Qindirha Estuary Management Plan. This Estuary Management Plan (EMP) will undergo all the required developmental phases, and it is anticipated that it will be tabled to Council for adoption in the 2022/23 financial year.

The Municipality is part of a team responsible for implementing the Buffalo River Estuary Management Plan. The task team responsible for the implementation convenes meetings to assess the performance of the EMP every quarter; its last sitting was in June 2022.

A structured Technical Committee with clear roles and responsibilities to achieve the vision and the objectives outlined in the estuary management plans was endorsed by members of the Buffalo City Metropolitan Municipality Municipal Coastal Committee. The established technical committee is intended to accelerate and guide the implementation of the management actions identified in the estuary management plans. These Sub-Committees are required to report progress to the Municipal Coastal Committee quarterly.

### **BEACHES AND COASTAL VILLAGES**

The BCMM Beaches and Coastal Villages Unit focuses on maintaining and improving the conditions of the beaches within the city's jurisdiction; as a recreational resource and a means of coastal protection, the facilities within the beach must meet the standards & demands of beach users. The City's coastlines comprise the following major beaches that seek to provide social, economic, and environmental benefits to the community of BCMM. These are namely: Gonubie Beach, Bonza Bay Beach, Nahoon Beach, Nahoon Reef and Corner, Eastern Beach, and Orient Beach. The city also comprises Coastal Villages: Gulu Beach, Kidds Beach, Kaysers Beach, Winterstrand, Igoda Beach and Christmas Rock. The Beaches Unit manages Orient Beach Pools Complex and additional recreational facilities such as Fullers Bay and Waterworld Complex, Leaches Bay and Hickman's River. Within the city's coastline are four tidal pools: Gonubie, Fullers Bay, Leaches Bay, Kidd's Beach, and various Picnic Areas.

The effective management of the beach areas involves the development of several tools, systems, and actions to influence anthropogenic activities that might negatively impact the natural environment. The scope of work within the beach areas includes the refuse removal & collection, cleaning of facilities and implementation of several projects that enhance the beach status. The city is currently working towards attaining blue flag beach status; this can only be achieved through proper maintenance of beach infrastructure, tidal pools, ablution facilities, boardwalks and picnic spots.

In the 2021/2022 financial year, the Beaches and Coastal Villages Unit managed to refurbish the following:

1. Upgrading of Gonubie Main and Tidal Pool ablutions.
2. Tiling and grouting of the Orient Beach Quanza and Paddling Swimming Pools.

In preparation for the festive season, the Unit is responsible for enhancing public safety due to the increase in beach users and bathers; lifeguards and Marshals were recruited in the 2021 festive season. The city hosted major events such as the Surfers Challenge and the Buffalo City Triathlon, which attracted tourists and contributed to the city's economy.

The city ensures cleaning, cutting of open beach spaces and removing sea debris from the beach and stormwater outlets on beaches. Full-time lifesavers render daily lifesaving services on the five main Beaches (Gonubie, Bonza Bay, Nahoon, Eastern and Orient Beach). The city further ensures proper monitoring of boat launching sites. Refuse trucks are currently being utilised to transport refuse from beach and picnic areas to landfill sites.

T 3.14

### 3.15 POLLUTION CONTROL

#### INTRODUCTION TO POLLUTION CONTROL

In terms of the Constitution of the Republic of South Africa, 1996 Section 24 of the Constitution states that: Everyone has the right to an environment which is not harmful to their health or well-being. The Municipality is required to manage air quality in its area of jurisdiction. To fulfil the Municipality's statutory obligations, Municipal Health Services Department monitors ambient air quality, identifies, and assesses sources of emissions, performs the air emission licensing function and enforces the National Environmental Management Act (NEMA) and the Environmental Health By-laws concerning air pollution.

An Air Quality Management Plan provides objectives and sets a course of action to attain air quality management goals. It identifies and addresses significant sources of impact using appropriate solutions to ensure that health effects and environmental impacts are minimised.

The main purpose of the BCMM's Pollution Control Unit is to provide and advise the Development Planning Unit on holistic environmental management matters to improve air quality in the BCMM area.

#### SERVICE STATISTICS FOR POLLUTION CONTROL

##### Implementation of Air Quality Management Plan (AQMP)

The Municipal Health Services appointed two interns as air quality officers for two years.

The following projects were completed:

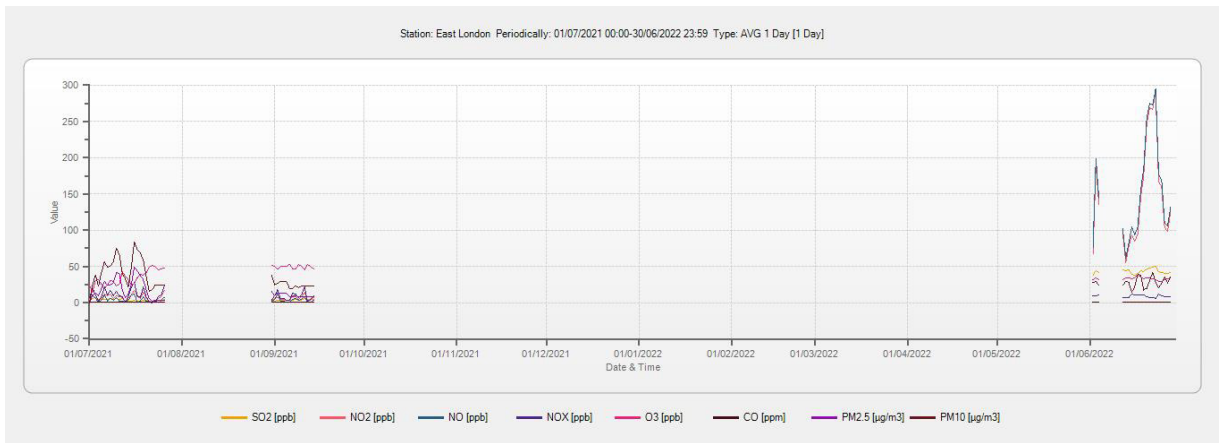
1. Modifying software of the following air monitoring machines - PM2,5 & PM10, ENVEA analysers for Zwelitsha station.
2. Set up and commission weather elements monitors and air quality equipment for Gompo station.
3. The project of appointing an air quality specialist to undertake an air quality impact assessment in the Midland region (Mdantsane) for the placement and commission of a new air monitoring station in the Midlands region has been completed.

##### **Atmospheric Emission License (AEL)**

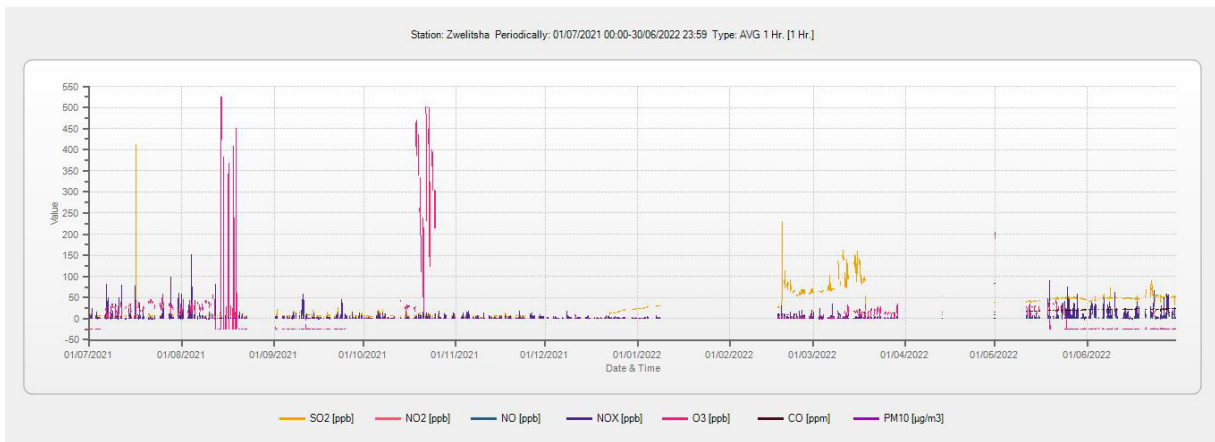
<b>Applications Received</b>	<b>Type of Application</b>	<b>Status of a Licenses Issued</b>
Astron Energy (Pty) Ltd East London	Renewal application	AEL Issued
Safe Drum	Section 22A application	AEL Issued
First National Battery (Pty)Ltd	Renewal application	AEL Issued
KAP Automotive	New Application	AEL issued

##### **Ambient Air Monitoring Station**

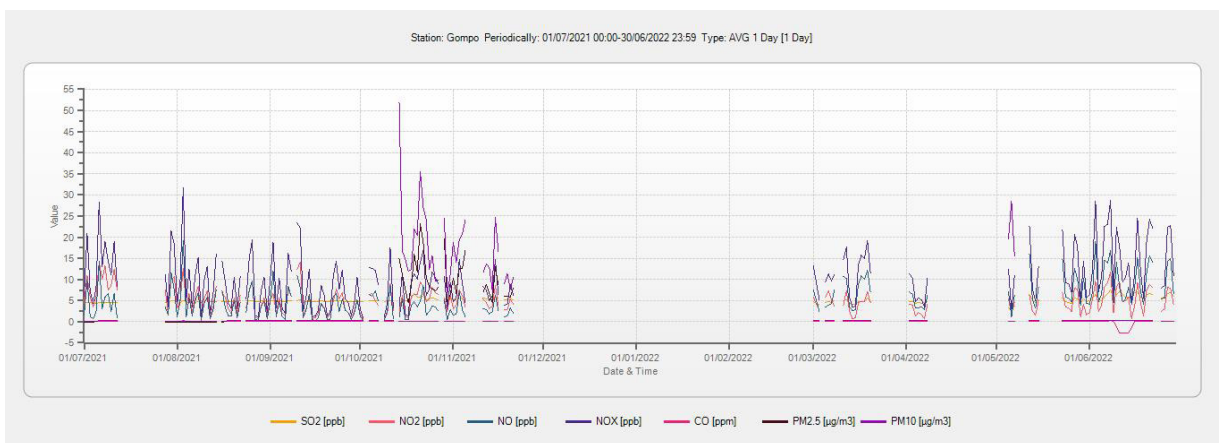
<b>Stations Name</b>	<b>Station status</b>	<b>Average Functionality for 2021 /22 financial year</b>	<b>SAAQIS status</b>
East London Station	Operational	17 %	Reporting
Gompo Clinic Station	Operational	50 %	Reporting
Zwelitsha Station	Operational	15 %	Reporting



The graph shows the functionality of East London air quality monitoring station during the financial year of 2021/22



The graph shows the functionality of Zwelitsha air quality monitoring station during the financial year of 2021/22



The graph shows the functionality of Gomo air quality monitoring station during the financial year of 2021/22

T3.15.2.

POLLUTION CONTROL POLICY OBJECTIVES TAKEN FROM IDP								
Service Objectives	Outline Service Targets	2020/2021		2021/2022		2022/23	2023/2024	
		Target	Actual	Target	Actual	Target	Target	
Service Indicators		*Previous Year				2021/2022	2022/2023	2023/2024
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(viii)	(ix)	(x)
<b>Service Objective xxx</b>								
<b>To promote and environmentally friendly city</b>	Percentage of atmospheric emission licences (AELS) processed within guideline timeframes	3	3	4	4	3	2	3
	Number of days where PM2.5 levels exceeded guideline levels	80%	81%	75%	79%	75%	75%	75%

*Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*\*Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role. T 3.15.3*

EMPLOYEES: POLLUTION CONTROL					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	3	3	3	0	0%
13 - 15	0	0	0	0	0%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	4	4	4	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding week-ends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.15.4*

**NB. There was no financial performance for the unit during the year under review T 3.15.5**

**NB. There was no capital expenditure for the unit during the year under review T 3.15.6**



## COMMENT ON THE PERFORMANCE OF POLLUTION CONTROL OVERALL

The following capital projects were approved on a 5-year IDP project:

1. Supply, Install and Commission an air quality monitoring station in Mdantsane (Midland region) – 2021/2022 and 2022/2023.
2. Supply, Install and Commission Solar energy panels and equipment for Air Monitoring Stations - 2022/2023.

The following operational projects were approved on a 5-year IDP project:

**Review of Air Quality Management Plan – 2023/2024**  
**Air Quality By-law – 2023/2024**

T 3.15.7

### 3.16 BIO-DIVERSITY, LANDSCAPE (INCL. OPEN SPACES), AND OTHER EG. COASTAL PROTECTION)

#### INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

The Environmental Education and Awareness-raising campaigns are essential for knowledge sharing and capacity development to various stakeholders that require a better understanding of the environmental field. Through the Directorate: Solid Waste and Environmental Management, the City conducted environmental and education programmes involving numerous stakeholders to discuss possible solutions for environmental issues. The ultimate goal is to influence behavioural change within communities and be responsible citizens towards the environment. This has proven to yield positive sign-offs such as improvement or a cleaner environment. Through the involvement of schools in environmental programmes, such knowledge is imparted to future leaders, which will influence decision-making in the future.

The focal areas within the environmental education programmes were mainly environmental degradation, wetland management, climate change, pollution, biodiversity, and alien invasive species management.

1. Environmental Education: Commemoration of wetlands day was held at NU 1 Mdantsane wetland. The wetland restoration programme was aligned to the observation of the Wetlands Day and comprised of the following activities: grass cutting, litter picking, clearance of illegal dumps and removal of alien invasive plants around the wetland as well as education & awareness campaign to the surrounding community. Commemoration of Environmental Calendar days, namely: Wetlands day (2 February), Arbor week (01 -07 September), World environment day (5 June) and National clean-up week (September), were conducted in three regions of the city; these encompassed environmental education programmes in schools, door to door campaigns and community workshops.
2. Biodiversity conservation and management: The greening programme entailed planting 312 indigenous trees in various Parks and pavements across all three Regions, including three schools in Gompo, Zwelitsha and Mdantsane. The Grass Cutting and Vegetation Control Unit maintains open spaces within communities, exits and entrances to the city, including high visibility areas that require attention. In the 2021/22 financial year, the city was hit by severe weather conditions that led to trees falling in the three regions but were removed effectively.

#### WATER QUALITY

The responsibilities of Municipal Health Services are outlined in the National Health Act, 2003 (Act 61 of 2003), which defines Municipal Health Services (MHS) that cover, amongst other functions, “water quality monitoring”. This function is allocated to District and Metropolitan Municipalities as per Constitution of 1996, Schedule 4 and Section 32 of the National Health Act and as stipulated in section 84(1)(b); (d) and (i) of the Municipal Structures Act, 1998 (Act 117 of 1998).

The Scope of Profession of Environmental Health, as published under Regulation 698 of 2009 (26 June 2009), promulgated under the Health Professions Act, 1974 (Act 56 of 1974), determines the role of Environmental Health in Water Quality Monitoring, which include:

- Monitoring water quality and availability, including mapping water sources and enforcing laws and regulations relating to water quality management.
- Ensuring water safety and accessibility in respect of quality (microbiological, physical and chemical) and access to an adequate quantity for domestic use as well as the quality of water for recreational, industrial, food production and any other human and animal use.
- Promoting access to water for all communities by providing inputs towards the planning, designing and managing of water supply systems and ensuring healthy community water supplies through surveillance.
- Ensuring monitoring of and effective wastewater treatment and water pollution control, including the collection, treatment and safe disposal of sewage and other waterborne waste and surveillance of the quality of surface water (including the sea) and groundwater.
- Advocacy on proper and safe water usage and wastewater disposal.
- Water sampling and testing in the field and examination and analysis in a laboratory.

The Municipal Health Services undertakes water sampling at Public Health Care facilities and Non-Primary Health Care facilities such as Government Institutions, Accommodation Centers, Schools, Child Care Centers, Food premises etc. This program seeks to monitor the water quality rendered by the Water Service Authority (WSA) and advise on remedial actions where applicable. Moreover, to ensure the prevention of waterborne diseases within the City's jurisdiction as required by legislation. T 3.16.1

## SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

**The Nahoon Point & Nahoon Estuary Nature Reserves:** These are two capital projects completed during the 2021/22 financial year, mainly the refurbishment of the Boardwalks and purchasing the plant. Nahoon Point Nature Reserve – An amount of R200 000.00 was utilised to refurbish the Nahoon boardwalk, which was 71m<sup>2</sup> of decking, and the installation of gum poles that were pre-treated, fastened with stainless steel screws, treated bolts, and painted with wood protective exterior mahogany vanish. Nahoon Estuary and Point Nature Reserves: R100,000 was used to purchase horticultural machines.

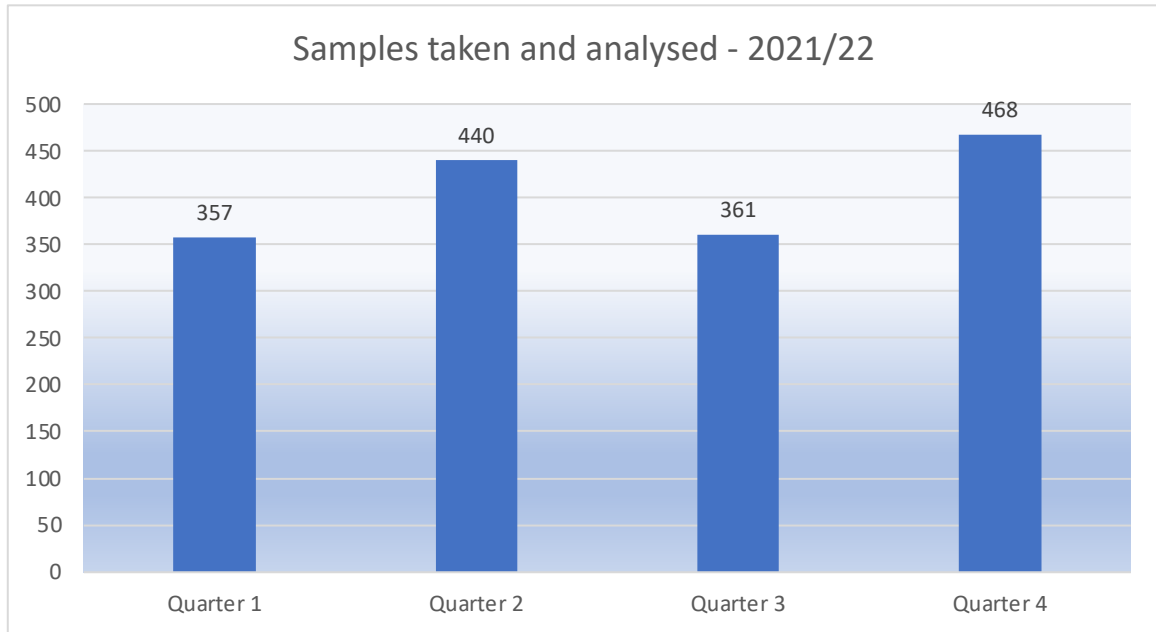
The Nahoon Point and Nahoon Estuary Nature Reserves attracted approximately 30 Environmental Education Guide tours conducted in both Nature Reserves. The city donated and planted 30 trees as part of the green forum school competition in the following schools:

1. Ebenezer High School (Duncan Village)
2. Thembalabantu High School (Zwelitsha)
3. Khulani Commercial High School (NU1 Mdantsane)

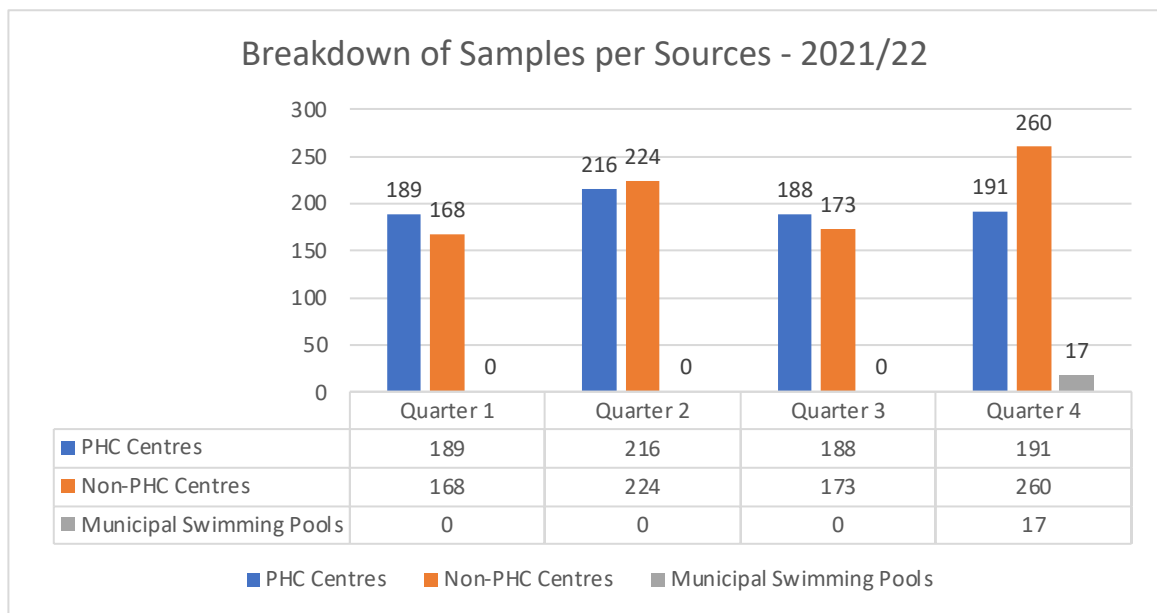
## SERVICE STATISTICS FOR DRINKING WATER QUALITY MONITORING

During the reporting period, 1,626 water samples were taken from Public Health Care Facilities (Clinics, Community Health Centres) and Non-Primary Health Care facilities/ Point Sources (Schools, Early Childhood Centres, Accommodation Establishments, Food Premises, Communal Taps etc.) These samples were taken to the National Health Laboratory Services (NHLS) situated at Frere Hospital in East London and BCMM Scientific Services Laboratory for microbial analysis.

PERIOD/ QUARTER	SAMPLES TAKEN	QUARTERLY TARGET (SDBIP)
First Quarter (July – September 2021)	357	250
Second Quarter (October – December 2021)	440	250
Third Quarter (January – March 2022)	361	250
Fourth Quarter (April – June 2022)	468	250
<b>Total</b>	<b>1,626</b>	<b>1,000</b>



A very small percentage of failures was observed, mainly from Public Health Care facilities that depend on rainwater harvesting through Jojo tanks. Contamination from these centers is sometimes as a result of combining carted water and a direct Municipal water supply into the same storage tanks. The Department of Health Buffalo City Health District, was informed accordingly of the failures. No failures were recorded from the centres, dependent on the Municipal supply scheme. T 3.16.2



**NB. There was no budget allocation for the year under review for landscaping. As a result of that there were no policy objectives taken from the IDP for 2021/2022. T3.16.3**

EMPLOYEES: BIO-DIVERSITY; LANDSCAPE AND OTHER					
Job Level	Year 2020/2021	Year 2021/2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 – 3	232	248	215	33	13.3%
4 - 6	174	181	159	22	12.1%
7 - 9	40	43	37	6	13.9%
10 - 12	15	17	15	2	11.8%
13 - 15	1	1	0	1	100%
16 - 18	5	4	4	0	0%
19 - 20	1	0	0	0	0%
<b>Total</b>	<b>468</b>	<b>494</b>	<b>430</b>	<b>64</b>	<b>12.9%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.16.4

FINANCIAL PERFORMANCE YEAR 2021/2022: BIO-DIVERSITY; LANDSCAPE AND OTHER R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>295</b>	<b>4 698</b>	<b>621</b>	<b>300</b>	<b>-1464%</b>
Expenditure:					
Employees	162 216	199 056	181 964	181 964	-9%
Repairs and Maintenance	6 251	6 536	5 869	5 869	-11%
Other	19 059	24 437	20 521	20 762	-18%
<b>Total Operational Expenditure</b>	<b>187 526</b>	<b>230 029</b>	<b>208 354</b>	<b>208 596</b>	<b>-10%</b>
<b>Net Operational Expenditure</b>	<b>187 231</b>	<b>225 330</b>	<b>207 733</b>	<b>208 295</b>	<b>-8%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.16.5

CAPITAL EXPENDITURE 2021/2022: BIO-DIVERSITY; LANDSCAPE AND OTHER R'000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>6 200</b>	<b>5 883</b>	<b>5 486</b>	<b>-13%</b>	
UPGRADING OF ZOO	2 100	1 399	1 145	-83%	1 399
REFURBISHMENT OF AQUARIUM	500	400	396	-26%	400
UPGRADING OF DEPOTS	200	483	447	55%	483
GRASS CUTTING EQUIPMENT	200	173	164	-22%	173
GRASS CUTTING EQUIPMENT	200	–	–	0%	–
GRASS CUTTING EQUIPMENT c/o	–	152	105	100%	152
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - COASTAL	1 000	1 000	999	0%	1 000

UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - MIDLAND	1 000	500	498	-101%	500
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - INLAND	1 000	1 000	993	0%	1 000
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - COASTAL c/o	–	500	463	0%	500
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - INLAND c/o	–	277	277	100%	277
GRASS CUTTING EQUIPMENT		200	167	100%	200
BEACHES	400	423	423	6%	423
PLANT - BEACHES	100	100	–	0%	100
REFURBISHMENT & UPGRADING OF FACILITIES AT BEACHES	100	1 517	1 332	92%	1 517
REFURBISHMENT OF NATURE RESERVE (BOARDWALKS)	200	200	196	-2%	200
PLANT - NATURE RESERVE	100	59	59	-68%	59
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.16.6</i>					

## COMMENT ON THE PERFORMANCE OF BIO-DIVERSITY; LANDSCAPE AND OTHER OVERALL

### Biodiversity Assessment for priority areas within the Metro

The Integrated Environmental Management Planning Unit, together with the Eastern Cape Parks and Tourism Agency (ECPTA), Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), South African National Biodiversity Institute (SANBI) and the East London Museum formed a collaborative effort in conducting a Biodiversity Assessment in Nine (9) nature reserves within the city. The Biodiversity Assessment initiated in the 3<sup>rd</sup> quarter of the 2019/2020 and finalised in 2020/2021 financial year. Nine (9) sites were successfully assessed and they are as follows: Bridle Drift Dam, Nahoon Estuary, Quenera, Potters Pass, Kidds Beach, Gulu, King Williams Town, Nahoon Point and Gonubie Nature Reserves.

The findings of the biodiversity assessment for the Nahoon Point Nature Reserve were submitted to a review panel for interpretation and recommendations. The outcomes of the review panel supported the proclamation of a provincial nature reserve for the Nahoon Protected Area to be called the Nahoon Point Nature Reserve. The Provincial proclamation of this reserve will link in with other provincial reserves adjacent to the proposed new boundaries, namely the Blue Bend. The city is currently in the process of land survey and consolidation of the Nahoon point nature reserve.

### Wetland Management

During the 2020/2021 financial year, Integrated Environmental Management Planning and Sustainable Development Unit conducted Phase 2 Wetlands rehabilitation - clearing of alien invasive plants at John Dube Wetland in Scenery Park ward 5. The clearing commenced in December 2020 and was finalized in February 2021.

The unit also conducted clearance of alien invasive plants at NU1, ward 12 in April to May 2021.

The City developed the Alien Invasive Species, Control and Monitoring Plan in 2019 and in 2020/2021 financial year, clearance of alien invasive plants was conducted within the 3 regions in the following areas: Amalinda ward 16, Mdantsane ward 42, Gonubie ward 27, Dimbaza ward 34, King Williams Town ward 41, Braelyn ward 9, Ziphunzana ward 1, Greenfields ward 46 and Breidbach ward 39.



## Environmental Monitoring and Compliance

Since development is an ever-growing process, its impact on the environment is ever increasing, leading to rapid deterioration in environmental conditions. The Environmental Assessment provides a rational approach to sustainable development. The following projects were conducted during 2020/2021 financial year;

1. Basic Assessment Reports (BAR) for township establishment programme within the metro were conducted during this financial year period.
2. The Cambridge Cemetery which has reached its burial capacity was granted Environmental Authorization for expansion. Subsequently, Environmental Control Officer services has been appointed to render the overall environmental compliance as stipulated in the conditions of the environmental authorization.
3. The Leachate Management and Development of Rehabilitation and Invasive Alien Management Plans were conducted for the Haven Hills cemetery. These plans were conducted to assist the metro to comply with the environmental authorisation issued by the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT).

## Implementation of Climate Change programmes

The Municipality developed an in-house Climate Risk & Vulnerability Assessment (CRVA) applying the best practice from the City of Johannesburg as well as National Climate Risk & Vulnerability Assessment framework developed by the Department of Environment Fisheries and Forestry. This was aimed at assessing the vulnerability of Buffalo City Metropolitan Municipality communities to climate change, prioritise and mainstream climate change adaptation into the development processes. The climate risk and vulnerability assessment was finalised and adopted by council in January 2021.

Tree planting was done in three areas (Scenery Park Ward 5, Amalinda Ward 16 and ward 12. The trees that were planted in these areas are indigenous (*Acacia xanthophylon*), they play a significant role in climate change mitigation. The city donated 5 trees (Fruit and Indigenous) which were planted in 2 schools within the three (3) regions. Participating schools were sourced from the previously disadvantaged areas.

## Environmental Education

The BCMM has signed a Memorandum of Understanding (MOU) with the Department of Environment, Fisheries and Forestry (DEFF) in 2019. The MOU seek to address an active participation of communities in environmental management, awareness about conservation and sustainable use of the environment, improved waste management, patriotism, active participation of youth in environmental management, socio-economic opportunities for youth.

### The Review of the Environmental Education and Public Training Strategy for the Metro

The city is in the process of reviewing an Environmental Education and Public Training Strategy in house and it will be finalised by the fourth quarter of the 2021/2022 financial year. Environmental Education and Public Awareness was conducted with the assistance of the Department of Forestry, Fisheries & Environment's youth coordinator program (YCOP). The YCOP aims to enhance the environmental functions and environmental education efforts at local government level.

## Partnerships

The Buffalo City Metropolitan Municipality resolved (BCMC 497/17) to participate in the Building Inclusive Green Municipalities Programme (BIGM). The programme is a partnership between Fredericton (Canada), Buffalo City Metropolitan Municipality and Port St. Johns Local Municipality. Through this program the metro has finalised the development of the Climate Risk and Vulnerability assessment in January 2021. **T3.16.7**



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component F: Health**

## COMPONENT F: HEALTH

3.16 Disclaimer: Tables 3.17.1 to Table 3.18.7 do not apply to BCMM.

**3.17. CLINICS** Disclaimer: Tables 3.17.1 to Table 3.18.7 do not apply to BCMM.

**3.18. AMBULANCES** Disclaimer: Tables 3.17.1 to Table 3.18.7 do not apply to BCMM.

### 3.19 HEALTH INSPECTION; FOOD AND ABATTOIR LICENSING AND INSPECTION

#### FOOD CONTROL

##### INTRODUCTION TO HEALTH & HYGIENE

The MHS Education and Awareness programmes were conducted by holding several events at different venues to raise awareness and improve general health and hygiene throughout the metro. BCMM Councillors were collectively engaged and educated on all nine MHS functions as part of their new term of office induction.

Additionally, education and awareness sessions are held continuously within the Early Childhood Development (ECD) Centres and at specified neutral venues in all three regions to capacitate operators, assistants and even children with information necessary for the Centres. To this effect, a Training Workshop for operators and assistants from all three regions was held at Hemingways Hotel on the 9th of June 2022.

Topics that covered included Nutrition; Handwashing and General Hygiene; five keys to safer food; and the Norms and Standards for ECD Centres. Twenty-eight operators representing 28 ECD Centres from all three regions attended and were issued Certificates of Attendance.

##### INTRODUCTION TO FOOD CONTROL

Food Control within the Local Government context includes the following aspects that form part of Municipal Health Services functions:

- Ensuring food safety in respect of acceptable microbiological and chemical standards, quality of all food for human consumption and optimal hygiene control throughout the food supply chain from the point of origin, all primary raw material or natural products production, up to the point of consumption.
- Inspecting food production, distribution, and consumption areas.
- Monitoring informal food trading.
- Inspecting food premises and any nuisances emanating from there.
- Enforcing food legislation and the Codex Alimentarius.
- Applying food quality monitoring programmes and principles through various techniques, e.g., Hazard Analysis and Critical Control Points System (HACCP System) audits.
- Promoting the safe transportation, handling, storage and preparation of foodstuffs used in the Primary School Nutrition Programme (PSNP), prisons, health establishments, airports, etc.
- Promoting the safe handling of meat and meat products through, amongst others, meat inspections and examination of abattoirs.
- Promoting the safe handling of milk and milk products.

The Municipal Health Services Department is continuously updating and adding new food premises on the Food Premises Database to cover all food premises within the Buffalo City Municipal jurisdiction. Environmental Health Practitioners conduct inspections at these premises every quarter to ensure compliance with all appropriate Legislation and National Norms & Standards where possible. Where there are defects or non-compliance, a Compliance Notice is issued to the Owner/ Manager of such Food Premises. At the end of each quarter, the Environmental Health Practitioner's monthly reports are compiled into a quarterly report.

## INSPECTION/ SURVEILLANCE OF FOOD PREMISES

There is an average total of 3,280 food handling premises in the Buffalo City Metropolitan Municipality's MHS database. The number is taken from the 2021/2022 last quarter report (statistics) of Food Premises.

During the reporting year, 2,404 formal and informal food premises were inspected. Of these, 1,483 had Certificates of Acceptability (CoA) issued and in force in terms of Government Notice No. 638 (Regulations Governing General Hygiene Requirements for Food Premises, the Transport of Food and Related Matters). Six hundred and eighty-three were not in possession of Certificates of Acceptability for Food Premises due to non-compliance.

T3.19.1.

## SERVICE STATISTICS FOR FOOD CONTROL

COST BASED ACTIVITIES	JULY 2021 TO JUNE 2022
Number of pauper burials	1,011
Number of Environmental Health Monitoring instances	13,976
Number of environmental health complaints	523
Number of food facilities monitored	3,590
Number of food samples	817
Number of food labels checked	10,024
Number of infectious disease investigations	14
Number of intimations	1,726
Number of environmental health promotion activities	1,786
Number of land assessments	2,203
Number of residential premises monitored	343
Number of areas monitored for infestation	3,445
Number of rodent sewer and public space points baited	3,854
Number of rodent points baited and charged in premises	103
Number of s/pools treated for mosquito's and charged	2
Number of swamps cleared for mosquito breeding	45
Number of public spaces treated for mosquito and flies	4,160
Number of sewers treated for cockroaches	806
Number of rooms treated for insect pests & charged	29
Number of pollution control instances monitored	330
Number of pollution control intimations	48
Number of pollution control complaints investigated	41
Number of Educare instances monitored	486
Number of Educare related intimations	29
Number of formal training sessions conducted	14

During the reporting period, the Municipal Health Services Department undertook the following health and hygiene education and awareness-raising campaigns (organised venue events):

NAME OF EVENT/ CALENDAR EVENT	PLACE/ AREA	REGION/ WARD	DATE	TARGET GROUP(S)
1. Global Handwash Day (Calendar Event)	1. Qhuru Clinic/ Ward 33	Coastal, Ward 33	27/10/2021	Out Clinic patients, Staff & nearby community members (+35)
	2. Endlovini Informal Settlement (Zwelitsha)	Inland, Ward 41	28/10/2021	Community members (+60)
	3. Thembalethu Clinic, Newlands	Midlands, Ward 17	29/10/2021	Out Clinic patients, Staff & nearby community members (+54)
2. Health & Hygiene Awareness – ECD Centres	1. Loyiso ECD Centre	Midlands, NU9, Ward 30	20/11/2021	Early Childhood Development kids
	2. Ebenezer ECD Centre	Inland, KWT, Ward 37	23/11/2021	Early Childhood Development Kids
3. World Toilet Day (Calendar Event)	1. Macleantown	Midlands, Ward 26	27/11/2021	Community members
4. Health & Hygiene – ECD Centres	Morning Star Day Care	Midlands, Ward 24	24/03/2022	Early Childhood Development Kids (70)
5. Health & Hygiene Promotion -ECD Centres	1. Mtombolwazi Day Care	Coastal, Ward 33	11/02/2022	Early Childhood Development Kids (55)
	2. Sophumelela Day Care	Midlands, Ward 5	23/02/2022	Early Childhood Development Kids (25)
6. Health & Hygiene-Caterers	Duncan Village - Jabavu	Coastal, Ward 7	11/04/2022	Caterers
7. Food Handling Training - Hawkers	Skhenjana Hall	Inland, Ward 43	05/05/2022	Hawkers (45)
8. Health & Hygiene Awareness – ECD Centres	Sinethemba Day Care	Coastal, Ward 33	07/06/2022	Early Childhood Development Kids (36)

### HEALTH & HYGIENE EVENTS IN PICTURES

Below: Global Handwash Day Commemoration Events, Qhuru Clinic 27 October 2021





Below: Global Handwash Day Commemoration Event, Endlovini Informal Settlement, Zwelitsha, 28 October 2021



Below: ECD Centres Health & Hygiene Awareness Campaign – Loyiso ECD Centre, NU9, 20 November 2021



During the reporting year, the Municipal Health Services Department undertook the following MHS education and awareness-raising campaigns (organised venue events):

NAME OF EVENT/ CALENDAR EVENT	PLACE/ AREA	REGION/ WARD	DATE	TARGET GROUP(S)
BCMM Councilors Workshop	East London ICC	All Wards	3 June 2022	All BCMM Ward & PR Councillors
Early Childhood Centres Operators Workshop	The Venue @ Hemmingways Mall	All Wards	9 June 2022	Twenty-eight (28) ECD Centres Operators
Environmental Pollution Workshop for Industries	Blue Lagoon Hotel	All Wards	24 June 2022	Atmospheric Emissions Licence Holders

### MHS EDUCATION AND AWARENESS EVENTS IN PICTURES

#### BCMM Councillor's Workshop on Municipal Health & District Health Services at ELICC – 03 June 2022

*Portfolio Head : Solid Waste & Environmental Management – Cllr A. Mnyute Opening the Cllr's Workshop*





*General Manager: Municipal Health Services – Adv. B. Mzimba – Purpose of the Councillor’s Workshop*



*BCMM Councillors attending the Workshop on Municipal Health Services, ELICC, on 03 June 2022*



*ECD Centres Operator’s Workshop, Hemmingway – 09 June 2022*



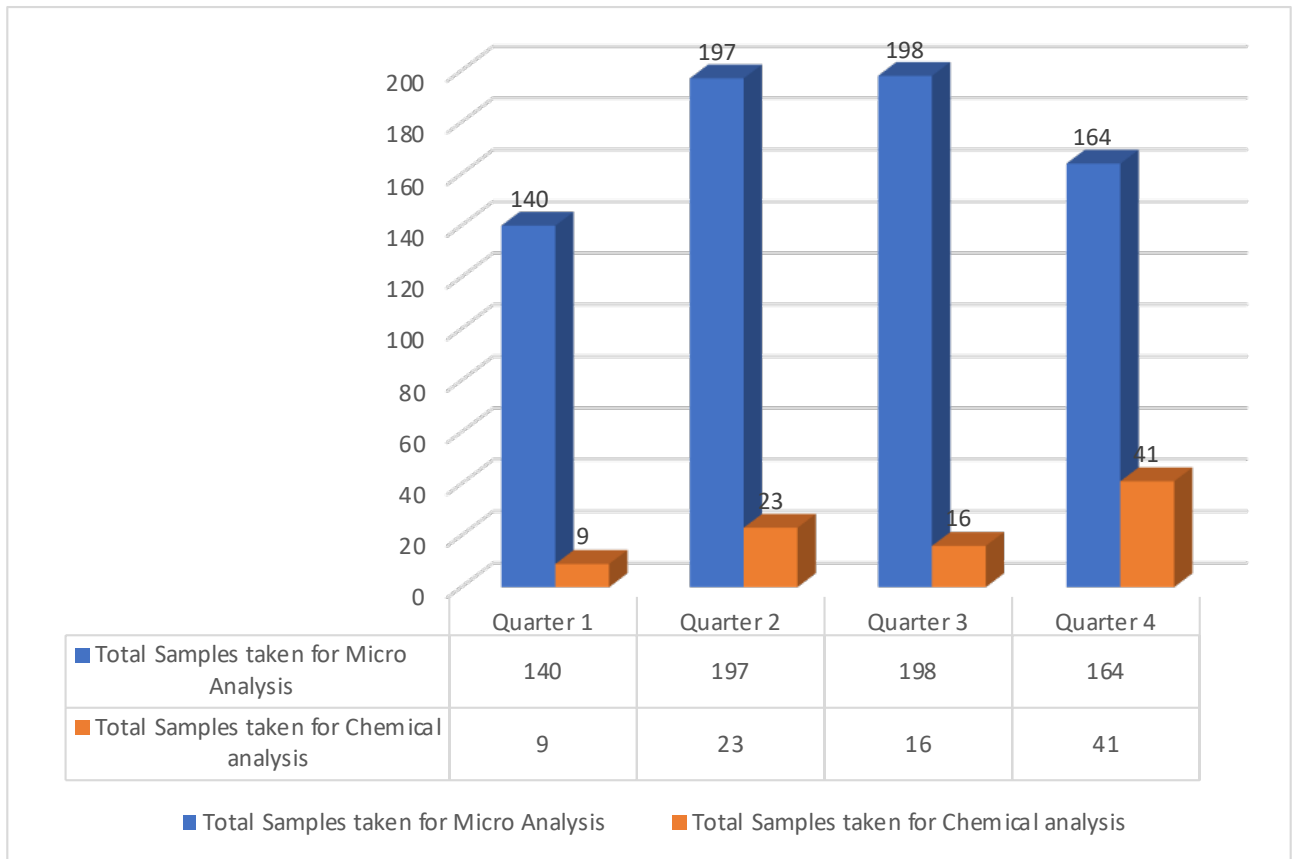
**SERVICE STATISTICS FOR FOOD CONTROL**

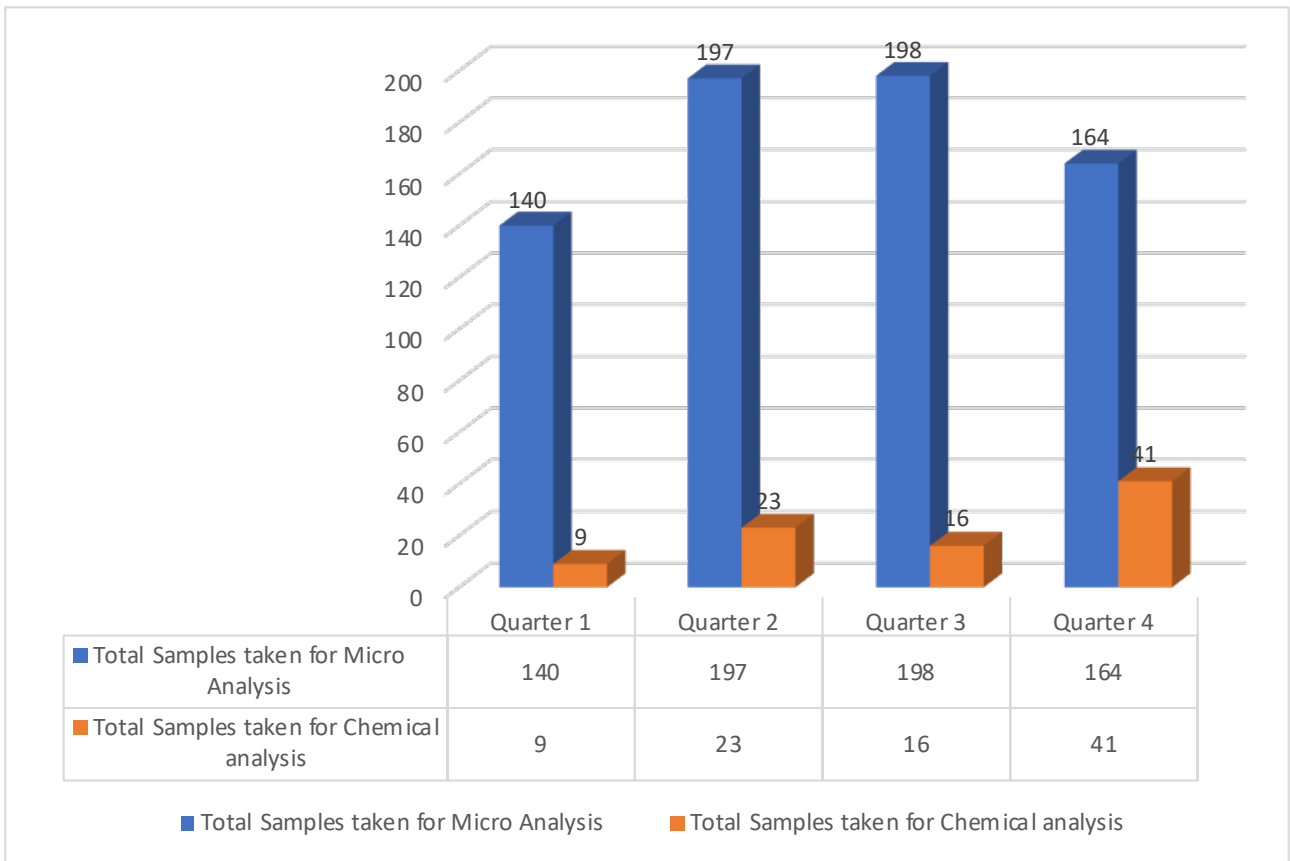
The Table below illustrates the breakdown of food premises inspected per quarter: 2021/2022 financial year.

PERIOD	TOTAL NUMBER OF INSPECTIONS	PREMISES INSPECTED WITH A COA	PREMISES INSPECTED WITHOUT A COA	QUARTERLY INSPECTION TARGET
First Quarter (July – September 2021)	509	356	153	250
Second Quarter (October – December 2021)	537	346	191	250
Third Quarter (January – March 2022)	526	288	238	250
Fourth Quarter (April – June 2022)	832	493	339	250
<b>Total</b>	<b>2,404</b>	<b>1,483</b>	<b>921</b>	<b>1,000</b>

A further 89 samples (comprising of salts, energy drinks, sweets, dairy drinks, cheese, sauces, peanut butter, egg-based deserts, biscuits / cookies, dried fruits, vinegar, canned vegetables, canned fruits etc.) were taken for chemical analysis at the Forensic Chemical laboratory in Cape Town.

The combined/ total number of samples taken & submitted for microbiological and chemical analysis is 788 during the year of reporting, 2021/2022. The Municipal Health Services was again able to achieve a target of 400 samples during the reporting year. The chart below depicts the number of food samples taken – in 2021/2022





T3.19.2



HEALTH INSPECTION AND ETC POLICY OBJECTIVES TAKEN FROM IDP									
SERVICE OB-JECTIVES		2020-2021		2021-2022		2022-2023		2023-2024	
OUTLINE SER-VICE TARGETS		TARGET		TARGET		ACTUAL		TARGET	
SERVICE INDI-CATORS		*PREVIOUS YEAR	ACTUAL	*PREVIOUS YEAR	*CURRENT YEAR	ACTUAL	*CURRENT YEAR	*CURRENT YEAR	*FOLLOWING YEAR
Fire Incidents Response Time	Percentage compliance with the required attendance time for structural firefighting incidents (formal & informal areas)	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas	75% of calls within attendance times (14 minutes or less) for structural firefighting incidents - formal & informal areas
<b>Reduction in road fatalities on BCMM roads</b>	% Reduction in road traffic fatalities on BCMM roads	5%	2.5%	5%	5%	1.25%	5%	2.5%	1.25%
T 3.19.3									

EMPLOYEES: HEALTH INSPECTION ETC.					
JOB LEVEL	YEAR 2020/2021	YEAR 2021/2022			
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
0 - 3	16	16	16	0	0%
4 - 6	2	2	2	0	0%
7 - 9	9	10	10	0	0%
10 - 12	24	25	25	0	0%
13 - 15	5	6	6	0	0%
16 - 18	1	1	1	0	0%
19 - 20	0	1	1	0	0%
Total	57	61	61	0	0%

Totals should equate to those included in Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') and then dividing that total by 250 to give the number of posts equivalent to the accumulated days). T 3.19.4

FINANCIAL PERFORMANCE YEAR 2021/22: HEALTH INSPECTION AND ETC R'000					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	73	35	35	13	-174%
Expenditure:					
Employees	39 958	32 688	42 662	42 662	23%
Repairs and Maintenance	465	572	477	477	-20%
Other	4 156	9 667	6 163	6 163	-57%
Total Operational Expenditure	44 579	42 927	49 301	49 301	13%
Net Operational Expenditure	44 506	42 893	49 267	49 289	13%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.19.5

CAPITAL EXPENDITURE 2021/2022: HEALTH INSPECTION AND ETC R' 000					
CAPITAL PROJECTS	2021/22				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
Total All	5 115	2 567	1 963	-161%	
REFURBISHMENT OF NU 6 MDANTSANE OFFICES FOR MUNICIPAL HEALTH SERVICES MIDLAND	2 000	348	–	0%	348
AIR MONITORING STATION	1 500	167	167	-798%	167
TOOLS & EQUIPMENT		200	90	100%	200
VEHICLES MUNICIPAL HEALTH SERVICES	1 615	1 624	1 532	-5%	1 624
AIR MONITORING STATION c/o	–	228	174	100%	228

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.19.6

**COMMENT ON THE PERFORMANCE OF HEALTH INSPECTIONS**

Health Inspections are day-to-day operational activities that Environmental Health Practitioners conduct according to the Norms and Standards of Environmental Health and therefore do not have a capital budget and, consequently, do not have capital projects. T3.19.7



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component G: Security and Safety**

## COMPONENT G: SECURITY AND SAFETY

### Law Enforcement & Security and CCTV Services Traffic Services

#### 3.20.1. INTRODUCTION TO POLICE

#### PROGRESS TOWARDS THE ESTABLISHMENT OF METRO POLICE – STATUS QUO REMAINS

The establishment of the BCMM Metro Police has yet to be approved by the MEC for Safety and Security.

Correspondence relating to the progress regarding the establishment of Metro Police was sent to both the MEC for Safety and Liaison and the Head of Department Eastern Cape Province COGTA on the 1st December 2021, wherein it was highlighted that BCMM submitted all the outstanding information requested to the MEC Office.

Since Metro Police has not been established, BCMM will still report separately as Traffic Services and Law Enforcement Services.

This section is divided into Traffic Services and Law Enforcement Services.

Traffic Services is an organisation for the control, management, and guidance, of stationary and moving traffic, namely, trucks, vehicles, bicyclists, pedestrians, etc. Traffic services cover the following jurisdictions Qonce (King Williams Town), Gonubie and Mdantsane areas, with the main central office which is situated in East London (Braelyn); the services rendered to the community to create an environment that will further the social and economic development of the community and enforcement/deter unlawful behaviour in non-accident violations.

When strict traffic management is in place, it creates a safe, orderly, efficient and effective movement of persons, goods and vehicles from point A to point B on our roads, thus aiming to protect the quality of the local environment and the community. In addition, traffic Services provide a comprehensive array of services to the community to ensure that we maintain and build a good understanding and interaction between current and future road users.

#### Traffic Services Administration

The Office of the Commander is located at Braelyn/Eziphunzana Bypass. It centralises and coordinates daily operations, monitors the department's expenditure, finalises capital projects and IDP targets, responds to complaints/conflicts from staff or the public, and resolves these professionally, efficiently and effectively. The office also completes monthly, quarterly and annual reports as well as incessantly ensuring procedures, policies, and regulations are complied with, deadlines are being adhered to, adapting to the ever-changing processes, at times developing a better way of concluding matters, introducing technological advancements and moving with the times to improve the relationship between the department and the public.

Traffic Services seeks to create a unique work-focused environment that supports its employees to get the "job" done. By being surrounded by co-workers who can foster easy collaboration and effective communication between the departments and the public, we can ensure that services are executed to the best of our ability.

The Central Office is capacitated with six personnel in administration and 17 personnel in management. Therefore, dedicated offices must maintain accountability for their assigned responsibilities by building on professional development, motivation, collaboration, better communication and effective teamwork among employees; by developing such focal points, services delivered by Traffic Services are effective and efficient.



To build and sustain a collaborative relationship with the community, Traffic Services ensures that key elements such as:

- An Effective Communication Strategy is a key component that can effectively drive road safety and address road user behaviour. Utilising all media platforms can bring the message to the community in a broader way. For example, creating verbal and visual awareness communication at schools using tools such as “Traffic Doggy and Danny Cat” to encourage future drivers to have the foresight to ensure safety measures such as wearing seat belts, not talking/texting on the cell phone, etc.
- Joint operations: another key component with other stakeholders such as SAPS, Law Enforcement, etc. Pulling resources and high staffing visibility of a joint force can ensure that a zero-tolerance approach to non-compliance is strictly adhered to. High visibility joint operations held in strategic places, hazardous locations, intelligence-driven operations, random vehicle checkpoints, execution of traffic-related warrants, special operations and speed enforcement in high accident frequency locations and high traffic offence zones/locations and enforcement of traffic bylaws. Joint operations can coordinate and integrate sporadic interventions in hazardous locations (hotspots) as per crime threat analysis offence patterns, thus ensuring a more strategic approach to lawlessness.
- Effective training: The importance of training lies in its power to increase and improve skills in the workplace; it gives our officers and staff an advantage and helps boost the individual and the Departments’ overall performance, which creates a productive and positive working environment. Training represents a good opportunity for employees to grow their knowledge base, improve their job skills, and become more effective in the workplace.
- The formation of partnerships is encouraged and universally endorsed by authorities. This practice facilitates the pooling of resources and achievement of objectives that would otherwise not be feasible or possible. These proposals entail a corporate responsibility initiative to partner with BCMM and Traffic Services to provide much-needed assistance in reducing fatalities and bringing the importance of road safety to the community. Forging partnerships between local, provincial, and national governments and other stakeholders is paramount to successfully implementing the national, provincial and local strategies. Lifelong partnerships with extended stakeholders such as the RTMC, LETCOM and SAPS now include SAB in joint efforts to promote road safety and a culture of compliance.
- Safety awareness campaigns are about being in the habit of thinking about the chance that someone can hurt you, others, property, and vehicles. The traffic safety plan clearly defines the responsibility of each stakeholder to ensure that all vehicular drivers are aware of the traffic rules, deploying patrol teams on junctions to avoid traffic jams and road accidents. Road traffic safety refers to the methods and measurements used to prevent road users from serious injury or death. Traffic awareness can also ensure the smooth flow of traffic whether you are a driver, passenger, or pedestrian, as you will use the road one way or the other. Therefore, it is crucial that you pay attention and adhere to all the rules of the road.

The year under review has been challenging, intermit load shedding, closure of offices due to poor infrastructure, time is taken for committees to convene to timeously resolve or kick-start and closure of projects, and budget cuts that greatly impacted services being delivered. In addition, the Loss of fellow officers has left a void for the Department. We pay tribute to them, and may their dearly departed souls forever rest in peace.

**Projects identified under TRAFFIC SERVICES for the year under review:**

Although projects under Traffic Services in the year under review were initiated, some could not be finalised due to various challenges. In addition, the easement of certain levels still meant that certain economic sectors were still under lockdown.

DESCRIPTION	BUDGET	COMMENTS ON PROJECT
Ablutions for The Mdantsane Traffic Centre	R700,000.00	<p>Public Ablution facilities were not budgeted for when the centre was built with the initial construction for the learners testing centre. Although, the site was handed over to the contractor on the 12th of October 2021, due to inclement weather the final completion was extended to the 2022. The facility was officially opened on the 14th of March 2022 by the MMC Matwele.</p> 
Backup power: Traffic Services	R2,500,000.00	Due to the ad hoc power outages caused by load shedding, the department prepared and submitted specifications to install generators.
Traffic and Law Enforcement Equipment	R1,000,000.00	<p>Daily Dispatch published an article on the 26 January 2021. In it, the Transport Minister Mr. F Mbalula said a new 100% sober law would be signed in later the year, the article further stated that officers in the field would be required to wear body cams to eradicate corruption and provide transparency and protection.</p> <p>The Road Traffic Management Corporation submitted a Draft SOP detailing the use of Body Worn Cameras for officers in the field. The SOP indicated that: "Introducing body worn camera is a lasting solution to many law enforcement problems and the use thereof is not only bring about much-needed relief to the fraternity but is also enhance road safety for all road users especially motorists. The body worn camera is a useful tool in dealing with the high levels of bribery incidents or misconduct of the public by proving a factual account of events. The intent of this NSOP is to ensure that officers reliably record video and audio of their contact with public in accordance with the relevant legislation."</p>

Law Enforcement Services personnel comprises 89 Law Enforcement officers who enforce the maintenance of Law-and-Order By-laws, Crime Prevention and adherence to By-laws, ensuring the safety of our communities. Initiatives include building partnerships between Law Enforcement Services and Traffic Services, South African Police Services, and other internal and external stakeholders.

BCMM's mission is to create a safe and healthy environment and adhere to the "Batho Pele Principles".

Law Enforcement Services comprises three regional offices, each comprising of Law Enforcement officers located in all three regions in the metro.

BCMM Law Enforcement Services operates from its main centre, at 56 Tudor Rose Road in Braelyn (East London). The primary function of Law Enforcement Services is the enforcement of municipal by-laws and crime prevention. However, their daily duties include:

- Traffic law enforcement
- Enforcement in respect of all offences
- Attending to complaints from the public
- Processing of applications in respect of the Gatherings Act
- Law enforcement operations in conjunction with the SAPS
- Visible patrols and crowd control at special events
- Safety of municipal installations and plant as and when required
- Monitoring of informal trading
- Assisting the Electricity Department with illegal electricity connections
- Land Occupation

### THE MISSION OF LAW ENFORCEMENT SERVICES

To ensure compliance with municipal Bylaws, protection of municipal assets and employees, safety and security of BCMM communities through crime prevention initiatives, participating in efforts to address the causes of crime. In realisation of our mission, we ought to have a code of conduct, situational analysis, strategic response and identification of key risk areas.

METROPOLITAN POLICE SERVICE DATA (LAW ENFORCEMENT SERVICES)					
	DETAILS	2021/2022			
		ACTUAL NO.	ESTIMATE NO.		
1	Assault GBH	28	-	-	-
2	Dagga Confiscated	672	-	-	-
3	Failure to Comply	4,083	-	-	-
4	Drinking in Public	2,331	-	-	-
5	Electricity Tampering	48	-	-	-
6	Failure to Comply	4,083	-	-	-
7	Possession of Narcotics	5,344	-	-	-
8	Possession of dangerous weapon	2,280	-	-	-
9	Recovery of stolen property	93	-	-	-
10	Bush Destruction	460	-	-	-
11	Car Washers Prosecuted (341)	388	-	-	-
12	Dogs on Beaches	216	-	-	-
13	Fires Extinguished	198	-	-	-
14	Gambling	292	-	-	-
15	Goods Confiscated from Hawkers	540	-	-	-
16	Hawkers licences checked	220	-	-	-
17	Hawkers prosecuted (56)	48	-	-	-
18	Illegal Dumping	764	-	-	-
19	Noise Disturbance	1,311	-	-	-
20	Dogs on Beaches	216	-	-	-
21	Goods Confiscated from car washers	24,028	-	-	-
22	Hawker Warrants	19,308	-	-	-
23	Hitchhiking	4,632	-	-	-
24	Illegal Electricity Cut-off Actions	15,660	-	-	-
25	Liquor Destroyed	1,933	-	-	-
26	Pamphlets	1,122	-	-	-

27	Picketing	20	-	-	-
28	Railway Crossings	444	-	-	-
29	Sect. 341 Notices (traffic offences)	68	-	-	-
30	Sect. 44 Notices (discontinuation)	412	-	-	-
31	Sect. 56 Bylaws/bus licences, etc	86	-	-	-
32	Sect. 56 Notices (traffic offences)	1,262	-	-	-
33	Squatter Actions	1,440	-	-	-

T3.20.1.

TRAFFIC SERVICES DATA					
	DETAILS	YEAR 2020/2021	YEAR 2021/2022		YEAR 2022/2023
		ACTUAL NO.	ESTIMATE NO.	ACTUAL NO.	ESTIMATE NO.
1	Number of road traffic fatalities during the year	146	250	137	130
2	Number of by-law infringements attended	N/A	N/A	N/A	N/A
3	Number of traffic officers in the field on an average day	120	125	116	125
4	Number of traffic officers on duty on an average day	120	125	116	125

T 3.20.2

Note - it is difficult to estimate road traffic fatalities and infringements, as these are beyond the department's control.

TRAFFIC SERVICES POLICY OBJECTIVES TAKEN FROM IDP							
SERVICE OBJECTIVES	OUTLINE SERVICE TARGETS (II)	2020/2021		2021/2022		2022/2023	
		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	
SERVICE INDICATORS (I)		*PREVIOUS YEAR (III)	(IV)	*PREVIOUS YEAR (V)	*CURRENT YEAR (VI)	(VII)	2022/2023 (VIII)
Promote sound financial and administrative capabilities	% Reduction in road traffic fatalities on BCMM roads	5% reduction	2,64%	5%	5%	2,85%	5% reduction
Promote sound financial and administrative capabilities	Total increase in the amount of revenue collected for traffic fines	R10,500,000	R11,763 ,626.68	R10,500 ,000.00	R5,500 ,000.00	R 12 ,530 ,796.35	R5,500 ,000.00

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*\*Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*\*Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within the approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangements by municipalities in which IDPs play a key role.

EMPLOYEES: POLICE OFFICERS					
JOB LEVEL	YEAR 2020/2021	YEAR 2021/2022			
POLICE	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
ADMINISTRATORS					
Chief Police Officer and Deputy					
Other Police Officers					
0 - 3	26	27	24	3	11.1%
4 - 6	483	483	446	37	7.6%
7 - 9	152	185	173	12	6.5%
10 - 12	53	56	53	3	5.4%
13 - 15	8	8	8	0	0%
16 - 18	1	1	1	0	0%
19 - 20	2	2	2	0	0%
Total	725	762	707	55	8.3%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.20.4

FINANCIAL PERFORMANCE 2021/2022: POLICE R'000					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	54 064	79 311	79 311	51 462	-54%
Expenditure:					
Police Officers					
Other employees	282 381	291 964	292 710	292 710	0%
Repairs and Maintenance	2 118	3 907	2 741	2 741	-43%
Other	30 661	40 380	25 946	20 116	-101%
Total Operational Expenditure	315 160	336 251	321 397	315 567	-7%
Net Operational Expenditure	261 096	256 940	242 086	264 105	3%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.20.5



CAPITAL EXPENDITURE 2021/2022: POLICE R'000					
CAPITAL PROJECTS	2021/22				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
Total All	7 500	5 284	3 864	-94%	
CLOSED CIRCUIT TELEVISION NETWORK - CCTV	1 000	2 589	2 589	61%	2 589
REFURBISHMENT OF LAW ENFORCEMENT OFFICES TAYLOR STREET KWT	2 000	–	–	0%	–
SPECIALISED VEHICLES PUBLIC SAFETY	3 000	–	–	0%	–
BACK-UP GENERATORS	1 500	161		0%	161
TRAFFIC AND LAW ENFORCEMENT EQUIPMENT c/o	–	819	40	100%	819
ABLUTION FACILITIES - MDANTSANE TRAFFIC CENTRE c/o	–	700	351	100%	700
CLOSED CIRCUIT TELEVISION NETWORK - CCTV c/o	–	1 014	884	100%	1 014

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.20.6

**COMMENT ON PERFORMANCE OF POLICE OVERALL**

**Services - Auxiliary Services**

Traffic Auxiliary Services comprises of 129 staff that ensures that services to the public are carried out professionally, efficiently, and effectively within BCMM.

Traffic Services Auxiliary Services comprises of 6 departments namely:

Technical Services: Responsible for road markings and erecting of traffic signs.



Figure 1 Various Road markings for 2021-2022 were done.

Registration and Licencing: responsible for the renewal and registration & licencing of vehicles.

Driving Licence: responsible for the renewal, application, and testing of drivers

Learners License: responsible for the application & testing of potential road users

Process Section: responsible for the processing of traffic infringements

Vehicles Testing Stations: responsible for ensuring vehicle fitness and roadworthiness of vehicles.



Figure 2 Joint operations

### IMPLEMENTATION OF THE NEW COMPUTERISED LEARNERS LICENCE TEST SYTEM (CLLT)

In the year under review the Provincial Department of Transport informed all DLTC in the Eastern Cape Province of the intension of the Road Traffic Management Corporation (RTMC) to replace the manual learners license system with the computerized learners license testing system (CLLTC).

The test is fully computerized and it takes one hour to complete the test as was the case with the manual form of testing. The system selects a total of 64 random questions from a list of 1 200 questions on the system. The pass rate of the test is still the same as the manual system.



Figure 3 Installation of the New Computerized Learners System

In the year under review, the following auxiliary services activities were undertaken:

GENERAL ACTIVITIES	TOTAL FOR THE PERIOD OF JUL 2021 TO JUNE 2022
Roadworthy examinations - tested	340
Learners licences - tested	12,269
Learners licences - passes	4,870
Learners licences - failed	7,399
Driving licences - tested	3,756
Driving licences - passes	2,103
Driving licences - failed	1,722
Public driving permits	7,361
Section 56 notices	27,412
Section 341 notices	14,607
Credit card issues	16,164
Vehicle licences	98,865
Vehicle registrations	36,356

Traffic operations comprise of 99 officers serving all three regions in the metro, enforcing traffic laws to ensure adherence to traffic regulations and bylaw transgressions that are a continued occurrence despite initiatives aimed at ensuring the safety of our communities as law enforcement agencies.

During the year under review, a total of 137 fatalities can be attributed to one or more drivers not following the rules. In addition, the “yo-yo” effect of the easing of the alcohol ban has significantly impacted the number of accidents and fatalities. The traffic rules are simple and easy to follow; keep a safe following distance, right of way, buckle up, no driving under the influence, driving whilst on the cell phone, ensure road-worthiness of vehicle, vehicles being operated by a licenced driver, following the speed limit, road signs, safe following distancing's, driving in inclement weather. These laws are enforced by a dedicated staff comprising Traffic Officers, Traffic Wardens, Assistant Superintendents, Senior Superintendents, Regional Commanders and Commander.

For this reason, Council has taken a resolution to implement the Traffic Safety Plan to guide and prioritise hazardous locations to reduce the fatality rate in terms of the IDP & SDBIP.

During the year under review, traffic services statistical information for the period of 2020/2021, moving offences and other transgressions:

Total Number of Roadblocks in BCMM	304
Joint Roadblocks with SAPS	5
Total roadblocks cancelled- this can be attributed to inclement weather, protests, inclement loadshedding, events whereby traffic officers were dispatched in compliance with other operations	228
Total number of hits recorded	52,889
Total number of notices finalized	7,765
Hits	14.7%
Camera images uploaded	258,179
Camera images processed	135,838
<b>OPERATIONAL ACTIVITIES</b>	<b>JULY 2021 - JUNE 2022</b>
Camera mailer prosecutions	119,592
Warrants of arrests executed	1,057
Arrests DIC	170
Other arrests	16



Section 54 summons issued	238
Vehicles suspended from use sec 44	1,128
Total amount of safety awareness campaigns	99
Total number of learners engaged	19,264

In an effort to eradicate unlawful and unroadworthy vehicles, which is one of many key elements that contribute to road accidents and fatalities on our roads, the Road Traffic Management Corporation (RTMC) donated two fully equipped Mobile Vehicle Testing Stations which were launched during the Safer Festive Season on the 2nd of December 2021.



Figure 5 Mobile Vehicle Testing Station

The Motor Vehicle Testing Station was utilised for testing vehicle fitness on public roads. This enhanced enforcement operations on our roads, as these trucks are mobile and can be used in areas of BCMM where these vehicles can be immediately discontinued/impounded for un-roadworthiness. This will further enhance services to the community as these unroadworthy vehicles are one of the leading causes of accidents and fatalities.

Since the launching of the MVTs total of 1,128 vehicles have been impounded. This increases the performance of the Department at roadblocks as these vehicles found not roadworthy are seized immediately. In addition, removing such vehicles from our roads aids the department in combatting fatalities within the BCMM jurisdiction.



Figure 6 -Festive season launch 2nd December 2021



Figure 9 joint operations



The success of enforcement depends on its ability to create a meaningful deterrent threat to road users. To achieve this, the primary focus should be increasing surveillance levels to ensure that perceived apprehension risk is high.

The use of selective enforcement strategies, designed to target high-risk road user behaviour and traffic accident locations specifically, is another cost-effective alternative, the installation of speed cameras is one of many tools utilised for such deterrents.



Figure 11 New Red Traffic Light camera installation

It has long been acknowledged that road safety is everyone's responsibility and that partnerships between government and private concerns are paramount to successfully implementing national, provincial and local strategies.

A Memorandum of Understanding (MOU) was signed by the City Manager between Buffalo City Metropolitan Municipality Traffic Services and South African Breweries (SAB) on the 15th of October 2021 for the refurbishment of the Alcohol Evidence Centre (AEC) located at the Braelyn Traffic Services offices.

SAB approached BCMM Traffic Services with a proposal to establish a road safety partnership. The proposal entailed South African Breweries employing its corporate responsibility initiatives to partner with BCMM Traffic Services to provide much-needed assistance in reducing motor vehicle crashes within the BCMM area. As a result, the MOU entered into; included a refurbishment of the existing AEC, which was launched on the 2nd of December 2021.

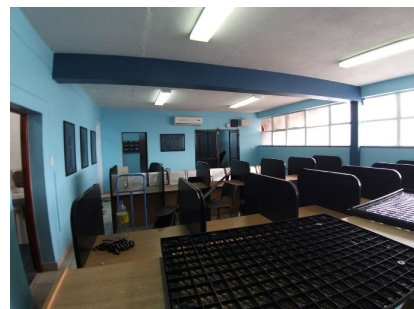


Figure 12 Refurbishment of existing Alcohol Evidentiary Centre



In terms of meeting the IDP objectives and strategies for the year under review, the Traffic Services Dept performed exceptionally well in achieving above the annual targets set for the following indicators:

- % reduction in road traffic fatalities on BCMM roads – the target achieved for the 2021/2022 financial year was a 2.85% reduction compared to the annual target of a 5% reduction.
- The total increase in the amount of revenue collected for traffic fines – the target achieved for the 2021/2022 financial year was R12,530,796.35 million compared to the annual target set of R5,500,000 million.

The Department also entered into a partnership with South African Breweries for the rehabilitation of the Alcohol Evidence Centre and the commitment to road safety.

Daily operations and continuous visible patrolling have resulted in the following:

- 309 successful road safety operations throughout the year under review, utilising the Mobile Vehicle Testing Station and Automatic Number Plate Recognition
- 258,179 camera images were uploaded with 135,838 processed and 7,765 notices finalized through joint operations with various stakeholders.
- 141,564 operational activities undertaken throughout the year under review
- 217,130 engagements with the public for various transactions such as drivers licences, learners licences, PRDP, vehicle registration and licensing.

Law Enforcement Services' capital budget allocation for the 2021/2022 financial year for the refurbishment of the KWT Traffic Building was reallocated to the Berlin Fire Station Building Project.

The Law Enforcement Department is committed to enforcing the law against those committing crimes and by-law offences, in line with the National Crime Prevention Strategy. The National Crime Prevention Strategy sets out the objectives, strategies, and priorities of crime prevention.

The Department has undertaken and effectively executed the following for the financial year under review:

- The Department continues arresting offenders for crimes such as theft, robbery, assault, shoplifting, MITP, possession of stolen property, dealing in narcotics, fraud, common robbery, theft of motor vehicle and attempted murder. At the same time, the Department consistently attends to B crimes in terms of our By-laws.
- There are 37, 064 actions undertaken against illegal electricity connections conducted during the 2021/2022 financial year.
- The formulation of a Master Plan for installing CCTV cameras across the City is making progress in attending to the issue of crime in hot spot areas, targeting economic hubs such as the Mdantsane Highway Taxi Rank, the CBD and the Beachfront. The roll-out of CCTV cameras at Mdantsane Highway Taxi Rank has proven a useful tool in deterring crime. However, more funding is still required to expand the CCTV installation including funding for maintenance and upgrading the CCTV software. Without funding for upgrading the programme will be stagnant and extinct.
- The City is also embarking on a process of reviewing existing City by-laws, policies and standard operating procedures to ensure that these are relevant to the changing environment.
- Creating a safer and more secure environment for BCMM's residents, visitors and businesses is a key priority and a significant challenge for the Metro.

## **LAW ENFORCEMENT SERVICES – CCTV SYNOPSIS**

Currently the section comprises 17 staff members that staff the CCTV section which includes the Sergeant. The shifts reverted to the 6-day 40 hour per week format which has left the CCTV equipment vulnerable during the hours the cameras are not being monitored.

After observing the patterns of the vandalism, the department has realised that it was specifically the batteries and Inverters that criminals were targeting. Once this was established, the department began to exclude these in the setup of the poles. As a result, the vandalism and theft in large part came to a stop.



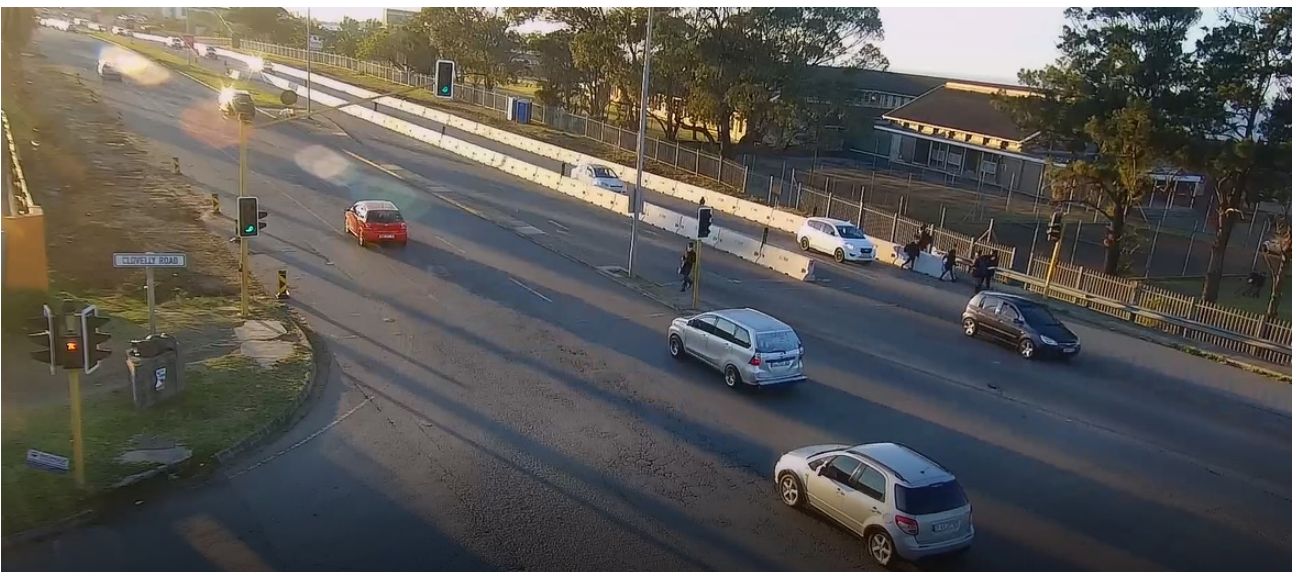
Criminals stealing camera equipment

## LEACHES BAY

The Leaches Bay network has five camera sites:

- Corner Clovelly Road and Settlersway (PnP) – OPERATIONAL
- Corner Cotton Road and Settlersway (Daimler) – OFFLINE
- Corner Pontoon Road and Settlersway (Buffalo River Bridge) – OFFLINE
- Corner Hood and Bank Streets (WB1) – OPERATIONAL
- Corner Pontoon and Fleet Streets (Fleet 1) – OPERATIONAL

The Biko Bridge and Daimler camera sites were targeted by criminals and the equipment had to be replaced a number of times. Unfortunately, the service provider never managed to complete the network due to the contract ending.



Camera view from the cnr Settlersway/Clovelly road



## KING WILLIAMS TOWN

King William's Town has a complete network layout and was operational until late April when the Video Management Server crashed. It was sent to B-Sure who installed it in 2021. They advised that a new Network Video Recorder be procured to have this network brought back online. B-Sure however did not submit a quotation on request.

The Multi-Year Contract C335 ended on the 28/02/2022 and no new service provider was awarded a contract to maintain and install new networks for the CCTV section. No maintenance budget was allocated for this financial year and arrangements were made to have this budget in the new financial year.



Cameras around the KWT CBD



Cameras around the KWT CBD

The Tender Document including the Bid Specifications has been submitted for approval for a new Multi-Year contract and is in process to advertise.

The CCTV assists Electrical Cut-offs, land invasion and attending of complaints when needed. During these times following was enforced:

- Fires extinguished
- Liquor destroyed
- Stop and searches
- Seizing of dangerous weapons (knives, screwdrivers etc which were booked in at SAPS)
- Vagrants removed
- Car washers removed
- Buckets confiscated

### **ESPLANADE AND MARINA GLEN**

Four camera sites were added to the original Esplanade network which included the cameras inside the Marina Glen, consisting of four camera sites with two cameras per site. The poles along the Esplanade had a static camera included with the PTZ camera, this brought the total cameras on this network to 18 cameras. However, the Moore Street site was not populated because of ongoing construction. The electrical cables that are used to provide power to these four sites were sunk 1.8 meters underground and has seemed to be effective so far, however, the substation that provides power to these sites has been vandalised and currently there is no power to these four sites including the Life Saver Shack site.

Some camera sites in the Marina Glen





## CBD AND VARIOUS MUNICIPAL BUILDINGS

The three camera sites (street view cameras) around the City Hall were brought online using a wireless link as the fibre for these cameras between the Munifin Centre and the City Hall was damaged.

This network is in the process of being brought back online. The server that runs the software for this network is faulty and is currently with the only service provider in the Eastern Cape that is accredited to work on it. Once an order number is obtained, they will begin work on repairing it. The street view cameras are also being assessed to so that quotations can be submitted to repair and replace old and damaged equipment. Once online, it will bring another 71 cameras up to monitor.

This was one of our largest projects with 88 cameras, five municipal installations and 15 street view sites on one network. We have now devised a method of using a slide plate to secure our camera boxes and are also investigating a possible solar solution to the power problems. If it is deemed viable and reliable it may be in our interests to use that solution for long-term connectivity.

### Camera view of Caxton/Oxford streets



### Overview camera at the licencing Dept





## FINANCE DEPARTMENT SITES

The cameras installed at Supply Chain Management by an was made available for viewing at the monitoring hall. However, the cameras were placed in such a manner that very little could actually be viewed. Our Service Provider was not required to place the cameras properly.

The Dimbaza, KWT Civic Centre, Mdantsane NU6 Rent Office, Gompo Rent Office, Beacon Bay Finance Office and the Gonubie Finance Offices were equipped with CCTV cameras, and this was made available to view on the video wall in the monitoring hall. However, there have been issues with these cameras, and they were not repaired due to lack of funds and the original contractor was not used for these sites.

## SUCSESSES

Despite the vandalism and loss of connectivity to networks, several arrests were made by the CCTV staff, and crime was captured on the cameras, notably in the CBD and Esplanade areas. For example, arrests for Assault GBH, common robbery, housebreaking and theft and common assault were made as a direct result of the CCTV cameras and staff.

Communications have also been augmented with a new base radio in the monitoring hall, which can call staff on duty in their vehicles which has lessened the reliance on cellphone communications which was becoming expensive.



CCTV Monitoring Hall  
T3.20.7

### 3.21 FIRE

#### INTRODUCTION TO FIRE AND RESCUE SERVICES

#### INTRODUCTION TO FIRE SERVICES

Fire and Rescue Services renders professional fire and rescue, fire safety, fire training, fire suppression and fire risk assessment service to the Buffalo City Metropolitan Municipality. The Department consists of seven fire stations spread across the major urban areas of Buffalo City Metropolitan Municipality and all three regions, serving a population of approximately 893,000 people and covering an area of roughly 2,515 square kilometres.

The existing urban areas and settlements in Buffalo City Metro Municipality are spatially fragmented, a feature of the entire Metro. The spatial fragmentation creates a negative urban dimension.

Buffalo City Metro Municipality consists of a corridor of urban areas, stretching from the “port city” of East London to the east, through to Mdantsane and reaching Dimbaza in the west. The vast majority of rural areas lie beyond the legislated response times for fire and rescue services which causes major problems when attending to fire calls. The lack of fire hydrants in these areas further exacerbates the difficulty of attending to fire and rescue calls.

The Metro has planned and budgeted to build a new fire station in Berlin to respond to fire calls timeously within this area of its jurisdiction. The fire station is currently in the final phase of the planning stage and will be going out on tender for the construction phase.

### **MEASURES TAKEN TO IMPROVE PERFORMANCE OF THE FIRE AND RESCUE SERVICES**

The Department has managed to secure a budget for the next three financial years to procure new specialised fire-fighting vehicles, undertake major repairs to existing fire-fighting vehicles and undertake repairs and refurbishment to all its fire stations where needed. These projects were planned and budgeted through the five-year strategic Integrated Development Plan and the three-year MTREF budgeting process. In addition, the procurement of service providers for various projects takes place annually through the formal procurement processes of BCMM.

An oversight visit to the Directorate: Installations and Buildings was conducted by the Portfolio Committee Members of the Directorate and the Senior Management on the 18th and 27th of May 2022, wherein all problems and issues were identified and highlighted. Many fire stations were noted as badly needing repairs and maintenance. These issues are currently being addressed by the Department, whereby repair and maintenance are underway at various fire stations.

All existing CCTV cameras situated at BCMM Fire Stations were serviced/repaired/replaced in the 2021/22 financial year utilising funding provided by Protection Services, with additional cameras installed where needed. This exercise included the following:

- Network re-connectivity from each Fire Station to the Control Room was re-instated.
- Installed screens and computers in the Fleet Street Fire Station Control Room to ensure the 24/7 monitoring of the BCMM Fire Stations regarding staff safety, securing of BCMM assets and service provision.

BCMM Fire and Rescue Services strives to provide a safer environment for our residents, visitors and City staff by creating awareness of the dangers associated with fire in our communities. It also assists the District Municipalities by providing services to the extended BCMM communities on behalf of the District Municipalities that cannot manage major incidents.

## INSTALLED SCREENS IN CONTROL ROOM



The completion of Phase I of the Tactical Radio Network in the 2021/22 financial year saw the installation of repeater sites and Fire Engines being fitted with new radios, which have greatly improved communications between the Fire Vehicles and the Control Room. This project is ongoing into the 2022/23 financial year, and regular meetings are held with all departmental stakeholders to identify and remedy any communication challenges should such be experienced by a department.

The Department also addressed the issue of response times to fire calls within the legislated time frames. This was done by identifying the need to set up an Inter Directorate Advisory Committee to address the various cross-cutting issues facing the Fire and Rescue Department. Contributing factors such as conditions of roads, potholes, detours, speedbumps and availability of water in informal settlements have been identified.

T 3.21.1

## MAJOR SERVICES AND PERFORMANCES

The Fire Safety Section performed the following duties:

- 1,044 buildings inspected;
- 261 plans approved;
- 151 awareness campaigns; and
- 16 evacuation drills and inspections on taverns in conjunction with SAPS and all other stakeholders.

In addition to the above, Fire Safety attended 869 Trade Licence applications and 2100 Fire Safety/Compliance inspections during the 2021/22 financial year.

Fire Safety attended the Enyobeni Tavern Incident on the 26th of June 2022, where sadly, 21 young people passed away. Fire Safety inspected the tavern together with Law Enforcement and South African Police Services.

A service provider was appointed on 22 June 2022 to review the Fire Safety By-Laws.

Fire Safety is attending all pre-planning meetings of the events and ensuring safety during the events.



## INTERNATIONAL FIRE FIGHTERS' DAY EVENT

On the 4th of May 2022, BCMM Fire and Rescue Services hosted International Fire Fighters' Day at King Williams Town Fire Station.

The International Firefighters' Day event originated after a tragic incident in Linton Town of Australia, on the 2nd of December 1998. Five firefighters lost their lives while trying to douse a wildfire.

After the tragic death incident, a proposal was made on the 4th of January 1999 to honour the brave firefighters and others who lost their lives while performing their duties.

BCMM Fire and Rescue Services hosted International Fire Fighters' Day to honour all the firefighters who died while on duty and encourage them to perform their duties diligently while reminding firefighters that all communities depend on them during any emergencies. The Fire Department also hosted the event to celebrate the improvement of fire prevention and intensive, thorough training to save lives and protect properties.

The relevant stakeholders who attended the event were as follows:

- Law Enforcement
- Traffic
- Working on Fire
- Provincial Disaster Management Centre
- Joe Gqabi District Municipality
- Provincial Transport
- BCMM Wellness Centre

BCMM Fire and Rescue Services decided to host the event annually to commemorate the fallen heroes and encourage all firefighters to continue serving communities diligently.

### PHOTOGRAPHS FROM THE INTERNATIONAL FIRE FIGHTERS' DAY HELD 4TH MAY 2022:





The Training Section performed as follows:

Six BCMM Fire Fighters were trained on Fire Fighter 1 and Hazmat Awareness. Forty-eight firefighters were trained on the NQF Level 4 firefighting course, presented by an external service provider, Umbuso.

Operations Section attended to Major Fires:

The activities of the Fire and Rescue Services for the 2021/22 financial year were:

Suppression of fires and emergencies:

• Residential fires	267
• Vegetation/grass fires	1,178
• Commercial fires	42
• Transport fires	87
• Informal dwelling fires	802
• Refuse/illegal fires	158
• Water Rescue	12
• Motor vehicle accidents	66
• <b>TOTAL:</b>	<b>2,612</b>

Floods hit the BCMM region on three separate occasions within the 2021/22 financial year. Fire and Rescue Services assisted the Disaster Management Services in rescuing and relocating communities.

Global warming and the consequences felt in its aftermath, namely extreme weather conditions (droughts, floods, heavy winds and severe thunderstorms), translate into increased expectations of further devastating acts of nature on our communities. Consequently, Fire and Rescue Services must be vigilant in preventing (firebreaks, awareness campaigns, compliance inspections, etc.) fires.

The number of fire-related deaths that occurred in BCMM during the 2021/22 financial year was 19 (Informal homes), 6 (Transport) and 7 (Residential homes).

On 21 March 2022, the Fire department responded to a major incident: head and side collision between Eldo Coach bus and a Truck carrying fuel. The Bus was carrying 21 passengers. Both vehicles ignited during the impact, where 18 people were rescued, and three were identified as Code 35 (Dead on arrival).





**FIRE AT DAILY DISPATCH OLD BUILDING CAMBRIGE STREET EAST LONDON CALL F22/0002**

On 8 May 2022, the Fire department responded to a major incident where the Daily Dispatch building at Cambridge Street, East London, was engulfed in flames.



Metropolitan Fire Service Data 2021/22					
	DETAILS	2020/2021	2021/2022		2022/2023
		ACTUAL NO.	ESTIMATE NO.	ACTUAL NO.	ESTIMATE NO.
1	Total fires attended in the year	3,107	2,900	2,552	3,000
2	Total of other incidents attended in the year	90	80	122	135
3	Average turnout time - urban areas	13	12	13	14
4	Average turnout time - rural areas	23	14	27	23
5	Fire fighters in post at year end	136	160	129	140
6	Total fire appliances at year end	35	37	37	39
7	Average number of appliances off the road during the year	8	5	7	5

T 3.21.2

Concerning T3.21.2 - Average turnout times are determined by logging the times taken to reach an emergency incident from receipt of call and analysing the record. Average Fire appliances off the road. The average number of busses off the road is obtained by sampling the number off the road on different days at different times. T 3.21.2.1

FIRE SERVICE POLICY OBJECTIVES TAKEN FROM IDP 2021/22									
Service Objectives	Outline Service Targets (ii)	2020/2021		2021/2022			2022/2023	2023/2024	
		Target	Actual	Target	Actual		Target		
Service Indicators (i)		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (2021/22) (vi)	(2021/22) (vii)	*Current Year (2022/23) (viii)	*Current Year (2023/24) (ix)	*Following Year (2024/25) (x)
Safety	Percentage compliance with the required attendance time for structural firefighting incidents	75%	33%	75%	75%	35,36%	75%	75%	75%
	Number of Fire Stations Refurbished	1	1 fire station refurbished	1	3	1	1	1	1

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*'Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role. T 3.21.3

EMPLOYEES: FIRE SERVICES					
JOB LEVEL	YEAR 2020/2021	YEAR 2021/2022			
FIRE FIGHTERS	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
ADMINISTRATORS					
Chief Fire Officer & Deputy					
Other Fire Officers					
0 - 3	5	5	5	0	0%
4 - 6	13	13	11	2	15.4%
7 - 9	107	109	106	3	2.7%%
10 - 12	29	35	28	7	20.00%

EMPLOYEES: FIRE SERVICES					
JOB LEVEL	YEAR 2020/2021	YEAR 2021/2022			
FIRE FIGHTERS	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
ADMINISTRATORS					
13 - 15	4	5	3	2	40.0%
16 - 18	1	1	1	0	0%
19 - 20	0	1	1	0	0%
Total	159	169	155	14	8.3%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.21.4

FINANCIAL PERFORMANCE YEAR 2021/2022: FIRE SERVICES R'000					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	76 715	127 333	127 333	128 252	1%
Expenditure:					
Fire fighters					
Other employees	96 277	96 773	98 628	98 628	2%
Repairs and Maintenance	1 034	2 015	1 332	1 332	-51%
Other	55 781	26 878	73 894	78 970	66%
Total Operational Expenditure	153 091	125 667	173 854	178 929	30%
Net Operational Expenditure	76 376	(1 667)	46 521	50 677	103%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.21.5

CAPITAL EXPENDITURE 2021/2022: FIRE SERVICES R'000					
CAPITAL PROJECTS	2021/22				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
Total All	12 700	5 412	1 913	-564%	
FIRE ENGINES PROCURED	6 500	-	-	0%	-
REFURBISHMENT OF FIRE ENGINES	1 500	850	-	0%	850
FIRE EQUIPMENT	200	200	197	-1%	200
NEW FIRE STATION - BERLIN WARD 45	4 000	-	-	0%	-
REFURBISHMENT OF FIRE STATIONS	500	1 780	565	12%	1 780
REFURBISH & REHABILITATION - FIRE INFRA-STRUCTURE c/o	-	539	500	100%	539
FIRE EQUIPMENT c/o	-	438	438	0%	438
NEW FIRE STATION - BERLIN WARD 45 c/o	-	1 604	212	100%	1 604

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).

T 3.21.6



## COMMENT ON THE PERFORMANCE OF FIRE SERVICES OVERALL

### NEW FIRE STATION BERLIN WARD 45:

The BCMM area is vast and expanding yearly as the result this section is currently planning for the construction of a new fire station at Berlin which is on advanced design stages. The station will cover: Berlin landfill site, Walter Sisulu University, Potsdam, N2, Berlin farming area and the Industrial area. The station will form a backup to Mdantsane and King Williams Town fire stations.

The Capital Project New Fire Station Berlin Ward 45, initiated in the 2018/19 Financial Year, is progressing despite various challenges experienced in terms of site terrain (stormwater culvert, large underground rocks which affected the initial designs). These challenges have had an impact on the overall budget of R15,580,000 as allocated to this project. Architectural Department have indicated that R18 million is required to see this project through to completion on a suitable design. Fire & Rescue Services have identified R4 million budget in the 2023/24 and 2024/25 financial year that can be re-directed to this project for the 2024/25 financial year and will request such within the 2022/23 mid-year budget adjustment. Currently, final designs have been approved and Architectural Department are finalizing figures with the appointed Professional Consultants, namely RMA Consortium, so as to prepare specifications for the Construction Phase of this project, expected to be advertised early 2023.

### FIRE ENGINES PROCURED:

Fire & Rescue Services procured one Major Pumper during the 2021/22 financial year utilizing the full budget allocation of R6,500,000 as well as re-initiating the order raised for a Water/Foam Tanker within the 2020/21 financial year under a rollover budget of R6,108,347. Both were procured utilizing the Government Transversal Tender RT57-2019. Both vehicles will be delivered in September 2022.

### REFURBISHMENT OF FIRE STATIONS:

The Health, Public Safety and Emergency Services Portfolio Committee and Councilors conducted a study tour to familiarized themselves with Fire and Rescue Services operations and revealed that the fire station buildings need to be refurbished.

Refurbishment of BCMM Fire Stations during the 2021/22 financial year period, under a budget of R1,780,000, saw the repairs of the Mdantsane Fire Station roof being completed at a cost of R565,040 as well as work commence for the replacement of two Engine Bay doors at the Gompo Fire Station, to be completed within the first half of the 2022/23 financial year. Fire & Rescue Services have also completed specifications for the Supply, Delivery and Installation of one (1) 180 KVA Backup Generator for the Fleet Street Fire Station to circumvent the operational challenges encountered to electronic Operational Systems (Emergency Services System in the Control Room) at times of loadshedding (becoming more frequent). Rollover of funds to the value of R1,214,960 has been approved for these two works in progress projects. The gate at Greenfields fires station are connected and operational. The replacement of one new machine bay door and the painting at Fleet Street fire station is to be implemented as soon as the budget of the 2022/23 financial year been opened for transactions.

### REFURBISHMENT & REHABILITATION OF FIRE ENGINES:

The Standing Committee Councilors also noticed that some vehicles need to be in commission and roadworthy. The age and condition of Fire & Rescue Fire Engines remains a challenge, despite ongoing annual procurement of Fire Engines such as Major Pumpers/Water Foam Tankers/Bush Tenders. Various Major Repairs and Maintenance to the existing fleet have been undertaken during the 2021/22 financial year at a total cost of R499,864 under the approved rollover budget of R539,264.

The effects of Covid-19 are still felt in terms of timeous shipment/airfreight of parts as well as the availability thereof, which directly impacts on the turnaround time in service providers concluding repairs to our fleet. The 2021/22 allocated budget of R1,500,000 has thus been rolled over to the 2022/23 financial year to facilitate ongoing costly repairs.

THE WATER TANKER WAS REPLACED ON FLEET 3041 – REG. CDF764EC



THE CHASSIS WAS BADLY RUSTED AND WAS REPLACED: ON WATER TANKER FLEET 3048 REG. FTR812EC



CHASSIS BADLY DAMAGED AND WAS REPLACED AND REMOVE & REFIT WATER TANKER: ATTENDED ON TO 4TH GEAR LOCKUP & PROGRAMMING FLEET 3045 – REG. FKM365EC





REMOVE & REFIT CALP JAC



K PUMP OF FLEET 3040 – REG. HPV068EC

**FIRE EQUIPMENT:**

Fire Equipment was purchased during 2021/22 financial year at a total cost of R197,272 under the allocated budget of R200,000. These were for 1x Hydraulic Rescue Tool and 9x 6L Cylinders.

**HYDRAULIC RESCUE TOOL**

Procurement initiated in 2020/21 for a Decontamination Shower was concluded in 2021/22 at a cost of R170,935 under the rollover budget of R438,286. Further procurement of spreader-cutters (R180,520), 7x Nozzles and 3x Pile Poles (R68,889) and 2x SCBA standard c/w Composite Cylinder Masks (R21,576) were also concluded under these funds.

**DECONTAMINATION SHOWER**

T3.21.7.

## 3.22 INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

### INTRODUCTION TO DISASTER MANAGEMENT

The Disaster Management Act of 2002 defines Disaster Management as a continuous and integrated multi-sectoral, multi-disciplinary process that plans and implements:

- Prevention of disaster risk;
- Mitigation of the severity and consequences of disasters;
- Emergency preparedness;
- Rapid and effective response; and
- Post-disaster recovery and response.

This is achieved through the four key performance areas and three enablers of the National Disaster Risk Management Policy Framework:

- Build institutional capacity;
- Risk assessment;
- Risk reduction;
- Response and recovery;
- Information Technology and Communication
- Education, Training, Awareness and Research
- Funding for Disaster Risk Management

Buffalo City has been exposed to the following major incidents and disasters during the period under review:

- Covid-19 pandemic – Disaster Management has been unable to obtain figures on the number of infections and covid related deaths in the Buffalo City Metropolitan Municipality.
- Informal fires – 1,397 people were affected when 436 structures were destroyed in 235 fires, and sadly 12 lives were lost.
- Severe storms/wind – 3 incidents affected 20 wards and resulted in 1940 structural damage, of which 811 were severe and 1129 minor. No fatalities were reported in these incidents.
- Flooding damaged 1,379 structures, of which 398 were severe and 981 minor in 28 wards on 8 January 2022. Sadly nine fatalities were reported.

Details of these incidents are provided below.

#### **Disaster Management Capital projects**

The Tactical Radio Network (3-year contract) is progressing well with the central control unit, four repeater sites, seven base stations and 145 mobiles and 107 portables. The capacity of the repeater sites will be increased in the last phase of 2022/2023. The system is intended to be rolled out to all departments.

#### **Disaster Management Centre**

The current centre needs to be improved for the needs of a Metropolitan Municipality. Planning a centre to meet the requirements of National Guidelines is currently in progress. In future financial years, funding will be required for the construction and equipment of the centre.

T 3.22.1



## SERVICE STATISTICS FOR DISASTER MANAGEMENT

## DISASTER AND EMERGENCY STATISTICS FOR THE PERIOD 1 JULY 2021 – 30 JUNE 2022

## COVID-19

57 896 cases were recorded in the Buffalo City Metropolitan Municipality up to 30 June 2022.

## INFORMAL FIRE STATISTICS 1 JULY 2021 – 30 JUNE 2022

MONTH	NO. OF FIRES	NO. OF STRUCTURES	NO. OF PEOPLE AFFECTED	NO. OF DEATHS
July 2021	29	68	198	3
August 2021	29	52	179	1
September 2021	16	33	113	0
October 2021	17	40	122	0
November 2021	13	39	132	1
December 2021	8	11	34	0
January 2022	13	31	74	0
February 2022	11	14	35	1
March 2022	7	10	40	0
April 2022	28	35	109	1
May 2022	25	37	129	3
June 2022	39	66	232	2
<b>TOTAL</b>	<b>235</b>	<b>436</b>	<b>1397</b>	<b>12</b>

Emergency relief was provided to 1,397 persons affected by the fires and their information was forwarded to Department of Social Development, South African Social Security Agency (SASSA) and Buffalo City Human Settlements department for further assistance. 12 fatalities occurred in informal settlement fires during the year under review.

## SEVERE STORM 29 OCTOBER 2021

WARD	SEVERE DAMAGE	MINOR DAMAGE	TOTAL
25	24	10	34
38	2	1	3
40	19	42	61
44	21	23	44
49	7	21	28
<b>TOTAL</b>	<b>73</b>	<b>97</b>	<b>170</b>

No injuries or deaths were reported in this incident.

## SEVERE STORM 13 DECEMBER 2021

WARD	SEVERE DAMAGE	MINOR DAMAGE	TOTAL
4	0	2	2
31	3	0	3
34	195	375	570
35	17	20	37
36	273	423	696
38	8	1	9
39	0	2	2
40	0	0	0
45	28	19	47

WARD	SEVERE DAMAGE	MINOR DAMAGE	TOTAL
50	4	0	4
TOTAL	528	842	1370

No injuries or deaths were reported for this incident.

#### FLOODING 8 JANUARY 2022

WARD	SEVERE	MINOR	TOTAL
1	1	16	17
2	10	88	98
6	26	134	160
7	2	45	47
9	0	1	1
11	0	7	7
12	21	12	33
13	1	29	30
14	2	0	2
16	0	111	111
17	23	105	128
18	2	26	28
22	37	17	54
23	4	65	69
24	48	0	48
26	78	97	175
27	3	0	3
30	1	7	8
31	9	37	46
32	8	3	11
33	21	24	45
35	1	0	1
37	0	1	1
39	1	4	5
42	33	65	98
45	37	19	56
46	0	1	1
48	29	67	96
TOTAL	398	981	1379

9 Deaths were recorded in this incident.

#### SEVERE STORM 19 FEBRUARY 2022

WARD	SEVERE	MINOR	TOTAL
35	6	7	13
36	64	23	87
37	17	25	42
38	116	173	289
40	7	17	24
TOTAL	210	190	400

No injuries or deaths were reported in this incident.



All storm and flooding incidents resulted in a multi-agency response including Disaster Management, Fire and Rescue, Traffic, SAPS, Ambulance, Human Settlements, Roads and Storm water.

## EVENTS AND OTHER DISASTER MANAGEMENT ACTIVITIES

During the period under review Disaster Management participated in the planning and execution of the following events and activities:

EVENT/ACTIVITY	DATE
Covid-19 Ward based rapid response team	7-28 July 2021
Joint Operation	9 July 2021
Covid-19 Ward based rapid response team	25 August 2021
Municipal Elections	1 November 2021
Meeting with Border Kei Chamber of Business	12 November 2021
Event planning for Inauguration of BCMM Council	18 November 2021
Inspection Inauguration of BCMM Council	19 November 2021
Inspection Inauguration of BCMM Council	22 November 2021
Inauguration of BCMM Councillorsf	23 November 2021
Planning for Berlin November	23 November 2021
Berlin November	27 November 2021
Inauguration ADM Council	26 November 2021
Inspection for Berlin November	26 November 2021
Inspection for Inauguration ADM Council meeting	29 November 2021
Visit by Cuban Minister	29 November 2021
Visit by Minister of Small Enterprise Development	29 November 2021
Inauguration of ADM Councillors	30 November 2021
Security cluster meeting SOPA	27 January 2022
Compliance meeting SOPA	31 January 2022
Planning meeting @ Vincent Park	3 February 2022
Land invasion meeting	7 February 2022
Joint operation planning meeting	8 February 2022
Security cluster SOPA	9 February 2022
Security cluster SOPA	14 February 2022
Chippa security planning meeting	15 February 2022
Dry run – Legislature	16 February 2022
Chippa vs Royal match	19 February 2022
Surfer's challenge meeting	23 February 2022
Security & planning meeting – HoTL	24 February 2022
Surfer's marathon	26 February 2022
Chippa vs Morumo match	26 February 2022
Safety & security planning meeting HoTL	4 March 2022
Evaluation security cluster SOPA	7 March 2022
Dry run HoTL	7 March 2022
Annual opening of HoTL	8 March 2022
TB steering committee meeting	10 March 2022
ANC Elective planning meeting	23 March 2022
Dry run for property development	30 March 2022
VOC for property development	31 March 2022

EVENT/ACTIVITY	DATE
TB Day steering committee	1 April 2022
Orientation for Germany delegation	5 April 2022
ANC elective planning meeting	6 April 2022
TB day	7 April 2022
TB day steering committee meeting	13 April 2022
Safety & security meeting ANC elective	14 April 2022
ANC elective planning meeting	19 April 2022
ANC elective conference	20 April 2022
Vincent Park evacuation planning	20 April 2022
EL Show planning	21 April 2022
Vincent Park evacuation	26 April 2022
Safety & security planning meeting SADTU	26 April 2022
EL show	29 & 30 April
EL show	2 May 2022
Site inspection Port Rex Power station	3 May 2022
Planning meeting Port Rex power station	4 May 2022
ANC elective safety & security	5 May 2022
Planning BP exercise	10 May 2022
Port Rex power station meeting	10 May 2022
Nahoon point fun run	12 May 2022
Wassa planning meeting	17 May 2022
Port Rex exercise	18 May 2022
Prep meeting for youth month	19 May 2022
Desktop exercise WASSA	19 May 2022
Mayor Cup meeting	19 May 2022
Mayor Cup meeting	25 May 2022
Briefing – Inaugural ceremony EC Trad Leaders	26 May 2022
Ann Bryan Art Gallery site inspection	27 May 2022
LOC for Mayoral cup	30 May 2022
SALGA planning meeting	30 May 2022
SALGA women elective	30 May 2022
SALGA women elective	31 May 2022
HoTL meeting	31 May 2022
WASSA planning	31 May 2022
Safety & security planning HoTL	2 June 2022
Steve Biko inspection HoTL	3 June 2022
HoTL meeting	6 June 2022
HoTL	7 June 2022
WASAA Exercise	8 June 2022
HoTL meeting	8 June 2022
Dry run Steve Biko	8 June 2022
Dry run HoTL	8 June 2022
HoTL event	9 June 2022
Meeting for Phelophela train	15 June 2022
Iron Man meeting	21 June 2022
Kiwane Race event	21 June 2022

EVENT/ACTIVITY	DATE
Youth & women imbizo	21 June 2022
Phelophela train meeting	22 June 2022
Dry run youth & women imbizo	22 June 2022
Kiwane race inspection route	23 June 2022
Evacuation Zwelitsha law court	24 June 2022
Phelophepha meeting	29 June 2022
Mass funeral	30 June 2022
Phelophepha meeting	30 June 2022

T3.22.2.

#### DISASTER MANAGEMENT OBJECTIVES TAKEN FROM IDP 2021/22

Service Objectives	Outline Service Targets (ii)	2020/2021		2021/2022			2022/2023	2023/2024	
		Target	Actual	Target	Actual	Target			
Service Indicators (i)		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (2020/21) (vi)	(2020/21) (vii)	*Current Year (2021/22) (viii)	*Current Year (2022/23) (ix)	*Following Year (2022/23) (x)
NO INDICATORS ON THE IDP									

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*\*Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.

T 3.22.3

#### EMPLOYEES: DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

JOB LEVEL	YEAR 2020/2021		YEAR 2021/2022		
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
0 - 3	0	1	1	0	0%
4 - 6	2	2	1	1	50.0%
7 - 9	1	1	1	0	0%
10 - 12	1	2	2	0	0%
13 - 15	1	1	1	0	0%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>6</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>12.5%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.22.4

FINANCIAL PERFORMANCE 2021/2022: DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC R'000					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	–	–	–	–	0%
Expenditure:					
Employees	4 142	4 194	4 482	4 482	6%
Repairs and Maintenance	12	57	–	–	0%
Other	1 036	1 547	821	821	-88%
Total Operational Expenditure	5 190	5 797	5 303	5 303	-9%
Net Operational Expenditure	5 190	5 797	5 303	5 303	-9%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.22.5					

CAPITAL EXPENDITURE 2021/2022: DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC R'000					
CAPITAL PROJECTS	2021/22				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
Total All	1 300	3 489	2 817	54%	
TACTICAL RADIO NETWORK	1 100	1 300	1 296	0%	1 300
CONSTRUCTION OF NEW DISASTER MANAGEMENT CENTRE	200	–	–	0%	–
DISASTER MANAGEMENT: EVENT SAFETY EQUIPMENT c/o	–	60	43	100%	60
TACTICAL RADIO NETWORK c/o	–	1 482	1 478	100%	1 482
TACTICAL RADIO NETWORK c/o	–	647	–	0%	647
REFURBISHMENT OF DISASTER MANAGEMENT CENTRE c/o	–	29	29	100%	29
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.22.6					

### COMMENT ON THE PERFORMANCE OF DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL OF PUBLIC NUISANCES, ETC OVERALL:

The Tactical Radio Network project was initiated and phases 1 and 2 have been completed. This includes the establishment of one control hub, four repeater sites, installation of 7 base stations, installation of 145 mobile radios and 107 portable radios.

Ward Forum was held on 12 April 2022 and was well attended by Councillors.

A Technical Consultation workshop for the revision of the Disaster Risk Management Policy Framework was held on 29 June 2022. The purpose of the workshop was to incorporate a variety of new developments and lessons learned over the past two years. This is being consolidated for a similar workshop with Councillors.

T3.22.7



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component H: Sport and Recreation**



## COMPONENT H: SPORT AND RECREATION

### INTRODUCTION TO SPORT AND RECREATION

The Sports Development and Facilities Division has a total of 94 sporting facilities. These facilities include formal and informal facilities. The formal facilities are tariff levying, which provides for complexes and stadia and has change rooms and ablutions in most cases. The informal facilities are non-tariff levying and consist of more basic infrastructure such as goalposts and grassing.

These facilities cater for sporting codes like cricket, soccer, rugby, tennis, hockey, athletics, netball, table tennis and softball. Local associations, provincial and national sports federations and schools use them. They also cater for events like music concerts/rallies. Some major sports stadia, such as Sisa Dukashe Stadium, can host Premier Soccer League matches as they meet the standards. Selborne Park Tennis Stadium is the home to the tennis fraternity in the region. The Buffalo Flats and Masingata cricket stadiums are also home to the premier club and provincial cricket.

BCMM has four swimming pools currently operating, i.e. Joan Harrison Swimming Pool, Ruth Belonsky Swimming Pools, Zwelitsha swimming Pools and King Williams Town Swimming Pool. These pools cater for the community's recreational needs and sports users. NU2 Mdantsane swimming pool is still under refurbishment and has yet to be operational. Joan Harrison swimming pool has been partly fenced on the side of the water polo to secure the facility. Security gates have been installed at the King Williams swimming pool to secure the facility. The pools hosted major aquatic competitions at a national level and were also popular during the summer vacations with the local users.

There are two Resorts which are tariff levying, namely, Gonubie Resort and Nahoon Caravan Park in the Coastal Region. The Gonubie Resort has 20 wooden chalets and 83 camp/ caravan sites, and the Nahoon Caravan Park comprises 53 camp/caravan sites. The Resorts are a key revenue generator for BCMM and experience high volumes of guests in the summer season and Easter Holiday period. As a result, the Resorts have been graded three stars for the wooden chalets and three stars for campsites by the Tourism Grading Council of South Africa (TGCSA). The chalets accommodate 108 people.

The Gonubie resort upgraded block one ablution and installed campsite electrical boxes. The project construction of Admin offices at Nahoon Caravan Park has started and is still in progress.

The Gonubie Resort has a dining hall that accommodates +/- 80 people also generate revenue for the institution. In addition, the dining hall is utilised for hosting events by guests that have booked the resort.

T3.23

### SERVICE STATISTICS FOR SPORTS DEVELOPMENT, FACILITIES AND RECREATION

Number of users for the period 01 July 2021 to 30 June 2022

Sports Facilities = 1,138 users (individuals, sports clubs, sports associations)

Number of people that participated in sports development programs = 1,935

Number of visitors for the period 01 July 2021 to 30 June 2022

Pools = 39,685 Visitors

Resorts Chalets = 2,533 Visitors

Resorts camping sites = 1,697 Visitors

T 3.23.1

SPORTS DEVELOPMENT, FACILITIES AND RECREATION OBJECTIVES TAKEN FROM IDP									
SERVICE OBJECTIVES	OUTLINE SERVICE TARGETS	2020/2021		2021/2022		2022/2023		2023/2024	
		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	TARGET	TARGET	TARGET
SERVICE INDICATORS		*PREVIOUS YEAR		*PREVIOUS YEAR	*CURRENT YEAR		*CURRENT YEAR	*CURRENT YEAR	*FOLLOWING YEAR
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)
Number of Sports facilities upgraded	4	4	1	1	3	3	3	3	3
Number of Swimming Pools upgraded	5	0	2	2	2	2	2	2	2

T 3.23.2

EMPLOYEES: SPORT AND RECREATION					
JOB LEVEL	YEAR 2020/2021		YEAR 2021/2022		
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULL-TIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
0 - 3	186	197	184	13	6.6%
4 - 6	126	140	128	12	8.6%
7 - 9	32	36	32	4	11.1%
10 - 12	15	17	15	2	11.8%
13 - 15	4	6	5	1	16.6%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>364</b>	<b>397</b>	<b>365</b>	<b>32</b>	<b>8.1%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.23.3

FINANCIAL PERFORMANCE 2021/22: SPORT AND RECREATION R'000					
DETAILS	2020/2021	2021/2022			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
<b>Total Operational Revenue</b>	<b>1 048</b>	<b>6 068</b>	<b>6 068</b>	<b>2 000</b>	<b>-203%</b>
Expenditure:					
Employees	92 176	90 415	64 208	64 208	-41%
Repairs and Maintenance	5 720	4 160	5 076	5 076	18%
Other	9 616	29 887	29 105	31 667	6%
<b>Total Operational Expenditure</b>	<b>107 513</b>	<b>124 462</b>	<b>98 389</b>	<b>100 951</b>	<b>-23%</b>
<b>Net Operational Expenditure</b>	<b>106 465</b>	<b>118 394</b>	<b>92 320</b>	<b>98 951</b>	<b>-20%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.23.4

CAPITAL EXPENDITURE 2021/2022: SPORT AND RECREATION R' 000					
CAPITAL PROJECTS	2020/22				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
<b>Total All</b>	<b>3 800</b>	<b>26 251</b>	<b>24 962</b>	<b>85%</b>	
UPGRADING OF RESORTS	100	2 112	1 839	0%	100
DEVELOPMENT, UPGRADE AND RE-FURBISHMENT OF SPORTS FIELDS AND STADIUMS	3 000	3 279	3 279	9%	100
PLANT - SPORTS	100	100	98	-2%	50
DEVELOPMENT, UPGRADE AND RE-FURBISHMENT OF SPORTS FIELDS AND STADIUMS		911	199	0%	100
SWIMMING POOLS	200	88	85	-134%	500
PLANT - SWIMMING POOL	100	78	49	0%	475
REFURBISHMENT OF SWIMMING POOLS	300	538	268	0%	1 949
NU2 SWIMMING POOL	–	–	–	0%	38
REDEVELOPMENT OF MDANTSANE SPORT PRECINT - NU2 SWIMMING POOL c/o	–	13 635	13 635	100%	115
REFURBISHMENT OF SWIMMING POOLS c/o	–	172	172	100%	163
REDEVELOPMENT OF MDANTSANE SPORT PRECINT - NU2 SWIMMING POOL c/o	–	5 338	5 338	100%	437
				0%	141

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.23.5

## COMMENT ON THE PERFORMANCE OF SPORTS DEVELOPMENT, FACILITIES & RECREATION

The Sports Facilities section managed to upgrade the following facilities:

- Westbank Sportsfield : Fencing of sportsfield;
- Selborne Tennis Park: refurbishment of offices; and
- Philip Khats Softball Stadium: refurbishment of offices.

The above three capital projects were the priorities for the 2021/22 FY, and we were able to complete these capital projects. There were no variances in the planned target versus the actual target achieved. These capital projects have allowed the community to participate in sports in conducive facilities.

In cases where the application for free use was approved, poorer sectors of the community benefit from the free use of the facilities.

### The Sports Development section facilitated the following programs:

- **Coaching courses:** Netball Coaching Course from 23 - 24 October 2021. Soccer Coaching Course from 25 February – 04 March 2022. Rugby Coaching Course from 23 – 24 April 2022. All the coaching courses took place at Buffalo Park Stadium.
- **Mayoral Cup:** This program took place on 16 June 2022 at Sisa Dukashe Stadium in Mdantsane. Seven sporting codes participated, including netball, soccer, rugby, goalball, table tennis, volleyball and boxing. In addition, karate and basketball were there for demonstration.

There were no challenges or variances in the planned targets versus the achieved targets for the 2021/22 FY. As a result, many participants in the sports development programs benefited at no cost to the participant's example, the Mayoral Cup.

The above two swimming pool capital projects were the priorities for the 2021/22 FY and experienced no challenges in completing the capital projects. Therefore, the variance in the planned target was diverted to the NU2 Swimming Pool to top up its budget to finalise the project.

The redevelopment of the NU 2 Swimming Pool is still in progress. The projects for the resort for the year 2021/2022 FY was completed and had no challenges. Construction of Nahoon Caravan offices is still in progress. T3.23.6



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component I: Corporate Policy Offices and Other Services**



## COMPONENT I: CORPORATE POLICY AFFAIRS AND OTHER SERVICES

### 3.24 EXECUTIVE AND COUNCIL

#### INTRODUCTION TO EXECUTIVE AND COUNCIL

During the year under review, Council and Executive set out the following key service delivery priorities. It should however be noted that the Executive does not implement service delivery projects but rather Good Governance targets.

The following priorities were identified:

1. To promote the competitiveness of various industries and increase export potential
2. Number of programmes implemented in partnership with Civil Society
3. Number of trainings provided for Ward Committees

The abovementioned priorities were set in line with the vision of a Well Governed city. Due to declining levels of employment the City prioritised the revitalisation of industries to expand the job market and promote investment within the Metro.

In terms of achievement:

- 1) Dimbaza Industrial Area has been supported within the year under review;
- 2) Community Dialogue was established to create a platform for community engage;
- 3) Ward Committees had two training sessions for effective community participation T 3.24.1

#### SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL

The adoption of the Separation of Powers give effect to the establishment of Section 79 Committees, which are political structures envisaged in the Municipal Structures Act that The Committees seek to promote effective oversight and accountability through the allocation of powers and functions among the legislative and the executive authority in the municipality.

Council's legislative functions are, therefore, exercised through the support of these committees, which are representative of all political parties in the Council. This system is supported through proper delegation of powers, thereby ensuring that the role players are able to execute their respective mandates without fear or favour. The Section 79 committees are constituted by the following 7 Oversight Committees and eight Standing Committees:

##### Oversight Committees:

- a) Social Facilitation Committee
- b) Petitions Management Committee
- c) Rules Committees
- d) Ethics Committee
- e) Women's Caucus Committee
- f) Municipal Public Accounts Committee
- g) Multi-Party Committee

**Section 80 Committees**

- a) Finance Services Committee
- b) Corporate Services Committee
- c) Human Settlements Committee
- d) Infrastructure Services Committee
- e) IDP and Organisational Management Committee
- f) Health, Public Safety and Emergency Committee
- g) Municipal Services
- h) Spatial Planning and Development
- i) Institutional Operations and Civil Relations
- j) Economic Development and Agencies
- k) Sport and Sponsorship Committee
- l) Remuneration Committee

The Section 79 committees perform an oversight role by monitoring the delivery and outputs of the Executive. These committees do not have any delegated decision-making powers. Each Ward Councillor chairs a ward committee as part of the Ward Participatory System that encourages participation at community level. Ward Councillors, as representatives of wards, have a responsibility to make sure that the voices of the communities in their respective wards are heard in Council and its structures. T 3.24.2

THE EXECUTIVE AND COUNCIL POLICY OBJECTIVES TAKEN FROM IDP										
Service Objectives	Outline Service Targets	2020/2021		2021/2022		Actual	2022/2023		2023/2024	
		Target	Actual	Target	Actual		*Current Year	*Current Year	*Current Year	*Current Year
Service Indicators		*Previous Year		*Previous Year			*Current Year		*Current Year	*Following Year
A Well Govern City	(i) (ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	
	Number of agenda items deferred to the next council meeting	0	0	0 (No items deferred to the next council meeting)	0	Q1 – 0 (No agenda items were deferred to the next Council meeting) Q2 – 0 (No agenda items were deferred to the next Council meeting) Q3- 2 agenda items deferred to the next Council meeting Q4- 0 (No items were deferred to the next Council meeting during quarter 4)	0 (No items deferred to the next council meeting)	0 (No items deferred to the next council meeting)	0 (No items deferred to the next council meeting)	0 (No items deferred to the next council meeting)
T 3.24.3										

EMPLOYEES: THE EXECUTIVE AND COUNCIL					
Job Level	Year 2019/2020		Year 2020/2021		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)17/18	Vacancies (as a % of total posts)17/18
0 – 3	20	19	18	1	5.26%
4 – 6	83	78	73	5	6.41%
7 – 9	32	37	34	3	8.11%
10 – 12	25	24	24	0	0%
13 – 15	12	12	12	0	0%
16 – 18	10	11	10	1	9.09%
19 – 20	3	3	3	0	0
<b>Total</b>	<b>185</b>	<b>184</b>	<b>174</b>	<b>10</b>	<b>5.43%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.24.3

EMPLOYEES: THE EXECUTIVE AND COUNCIL					
JOB LEVEL	YEAR 2020/2021		YEAR 2021/2022		
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)17/18	VACANCIES (AS A % OF TOTAL POSTS)17/18
0 – 3	18	19	18	1	5.3%
4 – 6	73	77	65	12	15.6%
7 – 9	34	42	39	3	7.1%
10 – 12	24	26	25	1	3.8%
13 – 15	12	11	9	2	18.1%
16 – 18	10	9	7	2	22.2%
19 – 20	3	5	5	0	0%
Total	174	189	168	21	11.1%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.24.4

Financial Performance 2021/2022: The Executive and Council R'000					
Details	2020/2021	2021/2022			
		Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	31 842	25 054	29 673	201	-12357%
Expenditure:					
Employees	150 490	131 920	154 383	154 374	15%
Repairs and Maintenance	2 383	3 419	1 897	1 897	-80%
Other	252 449	254 233	226 288	225 093	-13%
Total Operational Expenditure	405 322	389 571	382 569	381 364	-2%
Net Operational Expenditure	373 480	364 517	352 896	381 163	4%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.24.5

CAPITAL EXPENDITURE 2021/2022: THE EXECUTIVE AND COUNCIL R'000					
CAPITAL PROJECTS	2021/2022				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
Total All	3 800	6 387	5 369	29%	
OFFICE FURN AND EQUIPMENT (DIRECTORATE)	500	500	433	-15%	500
WARD COUNCILLORS OFFICE SPACE - WARD 10	1 800	-	-	0%	1 800
COUNCILLORS OFFICE EQUIPMENT		1 800	1 799	100%	
COMPUTER EQUIPMENT FOR NEW COUNCILLORS	1 500	1 500	1 481	-1%	1 500
REPLACEMENT OF COUNCIL CHAMBER HORSE-SHOE LEATHER CHAIRS AND TABLES c/o	-	1 102	401	100%	-
KWT COUNCIL CHAMBER CHAIRS c/o	-	200	138	100%	-
BHISHO COUNCIL CHAMBER CHAIRS c/o	-	100	88	100%	-
KWT MAYOR'S PARLOUR OFFICE FURNITURE c/o	-	200	74	100%	-
COUNCILLORS AND TRADITIONAL LEADER'S FURNITURE AND EQUIPMENT FOR A NEW TERM OF COUNCILLORS c/o	-	424	393	100%	-
OFFICE FURN & EQUIPMENT (DIRECTORATE) c/o	-	561	561	100%	-
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.24.6					

### COMMENT ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL

In pursuit of promoting public accountability and broadening public participation, Council demonstrated a strong commitment to community-centred participatory approaches in the management of the municipality. Extensive involvement of communities in municipal planning through established institutional arrangements demonstrated the City's commitment to the promotion of public accountability. In this regard, significant strides were made in engaging communities through the utilisation of various governance structures at both the Executive and Legislative components of Council.

This ensured active participation of communities in the development of their areas and ensured that the municipality is accountable to the public. Amongst others, the following included the initiatives undertaken to demonstrate the municipality's commitment to providing the community with information concerning issues of municipal governance, management and development. Consistent monthly Council meetings were held to discuss Council business and all Oversight Committees convened meetings regularly in accordance with the scheduled calendar.

The Mayoral Committee convened its meetings regularly attempting to follow the calendar to process items for Council consideration and take necessary decisions in line with the dictates of the systems of delegations. T 3.24.7

### 3.25 FINANCIAL SERVICES

#### INTRODUCTION FINANCIAL SERVICES

##### Revenue Management

The key functions of the Revenue Management Department include the following:

- a. Meter Reading
- b. Billing of Property Rates and Service Charges
- c. Indigent Registration and monthly subsidy allocation



- d. Enquiries and Customer Services
- e. Call Centre Services
- f. Property Valuations and Appeals
- g. Revenue Collection
- h. Debt Management, including disconnections, blocking and legal collection action
- i. Bad Debt Write Offs
- j. Electricity Prepayment Vending and Third-Party Collections

### **Billing**

During the financial year, municipal bills were produced monthly and sent to customers. When the municipality could not read meters, interim readings based on historical consumption were charged. The City implemented level 3 punitive water tariffs with effect from 01 January 2020 to 28 February 2022 due to the worsened drought situation, which resulted from the level of the dams dropping significantly. The punitive water tariff was reduced to level 2 from 01 March 2022. The implementation of the water punitive tariffs has resulted in a substantial increase in the monthly billing to respective households and an increase in the number of water queries registered with the Query Resolution Centre. The Department is keenly aware of the challenges related to meter readings and continues installing smart electricity meters. This has resulted in the monthly electricity billing being consistent and accurate.

BCMM also commenced with the installation of smart water meters. This has proved beneficial to BCMM customers, resulting in credible monthly readings and billing and reducing billing-related queries.

### **Debt Collection**

The priority of the Department was to increase the collection of debt and reduce the debt book. Unfortunately, BCMM could not meet the collection rate target of 83.5% related to rates and service charges. Further, the increase in water billing due to the punitive tariffs implemented due to the drought situation also negatively impacted the collection rate. The negative economic impact of Covid-19 has resulted in customers needing help to maintain their monthly payments despite the implementation of the credit control policy.

### **Measures are taken to improve performance:**

1. Disconnection of electricity meters and blocking of prepayment meters.
2. Implement a community outreach programme to assist consumers with managing their accounts and resolving queries. Also, to raise awareness of the metro's interventions such as smart meters, query portals and online statement portal.
3. Analysis of returned mail resulted in the rectification of postal addresses and reduced returned mail.
4. Updated consumer data to ensure that credit control action in the form of telephone calls, SMS notifications and letters are successful.
5. Continued implementation of the smart meter installation programme and the Revenue Enhancement Strategy to enforce the debt collection action. **T 3.25.1**

Debt Recovery								R' 000
Details of the types of account raised and recovered	Year -1 (2020/2021)		Year 0 (2021/2022)			Year 1 (2022/2023)		
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %	
Property Rates	1 066 801	83%	1 808 717	1 808 717	76%	1 826 804	76%	
Electricity - B	139 593	83%	162 576	162 576	79%	164 202	79%	
Electricity - C	1 411 445	83%	1 643 832	1 643 832	79%	1 660 270	79%	
Water - B	79 616	47%	93 897	93 897	38%	94 836	38%	
Water - C	1 057 763	47%	1 247 498	1 247 498	38%	1 259 973	38%	
Sanitation	489 361	67%	556 049	556 049	69%	561 609	69%	
Refuse	440 213	54%	459 336	459 336	59%	463 929	59%	
Other	68 843	68%	96 610	96 610	53%	97 576	53%	
<i>B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.</i>							T 3.25.2	

### Concerning T 3.25.2

To calculate the % collected per service, the amount collected is divided by the amounts billed for the 2021/2022 financial period. T3.25.2.1

Financial Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2020/21		2021/2022			2022/2023	2023/2024	
		Target	Actual	Target	Actual	Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	2022/2023 (viii)	2023/2024 (ix)	2024/2025 (x)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective xxx</b>									
Percentage of the municipality's operating budget spent on free basic services to indigent households.	Free Basic Services to Indigent households.	8,00%	6,05%	8,00%	5,00%	6,60%	5,00%	5,00%	6,00%
Free basic electricity provision levels as per % of total residential electricity provision (in terms of MWH)	Free Basic Electricity to Indigent households.	12,00%	11,28%	12,00%	10,00%	10,11%	10,00%	10,00%	10,00%
% revenue Collection Rate as measured in accordance with the MSA performance regulations	% revenue Collection Rate as measured in accordance with the MSA performance regulations	85,00%	70,20%	85,00%	83,50%	71,39%	86,00%	86,00%	86,50%
Number of Smart Meters installed	Number of Smart Meters installed Electricity	5 774	6 000	5 774	9 000	8 672	9 000	12 000	12 000
Number of Smart Meters installed	Number of Pre-paid Smart Meters installed Electricity	45 000	11 924	45 000	45 000	32 663	45 000	45 000	45 000
Number of Smart Meters installed	Number of Smart Meters installed Water	80 000	85 535	80 000	126 000	110 297	126 000	126 000	-
Percentage of registered billing queries	Accurate Billing of accounts	n/a	n/a	n/a	Less than 3% of the total billing	2,50%	Less than 3,5% of the total billing	Less than 3,5% of the total billing	Less than 3,5% of the total billing
Percentage of revenue clearance certificates issued within 10 working days from time of completed application received	% of revenue clearance certificates issued within 10 working days from time of completed application received	N/A	N/A	N/A	95,00%	98,50%	95,00%	95,00%	95,00%
Percentage of budgeted rates revenue collected	% revenue Collection Rate as measured in accordance with the MSA performance regulations	N/A	N/A	N/A	83,50%	82,71%	86,00%	86,00%	86,00%
Number of rateable residential properties in the subsidy housing market entering the municipal valuation roll	Number of subsidy housing properties included in the valuation roll	360	68	360	360	105	360	360	360
<small>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. *Previous Year refers to the targets that were set in the Year-1 Budget/IDP round; *Current Year refers to the targets set in the Year 0 Budget/IDP round. *Following Year refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in</small>									
									T 3.25.3

Employees: Financial Services					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 – 3	34	36	34	2	5.6%
4 – 6	352	385	337	48	12.5%
7 – 9	94	103	99	4	3.9%
10 - 12	46	50	47	3	6.0%
13 - 15	22	22	20	2	9.1%
16 - 18	8	10	10	0	0%
19 - 20	3	4	3	1	25.0%
<b>Total</b>	<b>559</b>	<b>610</b>	<b>550</b>	<b>60</b>	<b>9.8%</b>

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days). T 3.25.4*

FINANCIAL PERFORMANCE 2021/2022: FINANCIAL SERVICES R'000					
DETAILS	2020/21	2021/22			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
<b>Total Operational Revenue</b>	<b>2 911 022</b>	<b>3 046 979</b>	<b>3 051 572</b>	<b>3 035 545</b>	<b>0%</b>
Expenditure:					
Employees	381 681	344 318	352 186	354 798	3%
Repairs and Maintenance	2 016	2 736	3 121	3 112	12%
Other	297 963	484 750	372 122	394 728	-23%
<b>Total Operational Expenditure</b>	<b>681 660</b>	<b>831 804</b>	<b>727 429</b>	<b>752 638</b>	<b>-11%</b>
<b>Net Operational Expenditure</b>	<b>(2 229 363)</b>	<b>(2 215 175)</b>	<b>(2 324 143)</b>	<b>(2 282 907)</b>	<b>3%</b>

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.25.5*

CAPITAL EXPENDITURE 2021/2022: FINANCIAL SERVICES R'000					
CAPITAL PROJECTS	2021/22				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
<b>Total All</b>	<b>254 515</b>	<b>209 980</b>	<b>205 433</b>	<b>-24%</b>	
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500	493	483	-4%	
COST REFLECTIVE TARIFF SOLUTION	2 500	–	–	0%	
METER READING SYSTEM	–	1 200	552	0%	
SMART METERING SOLUTIONS (ELECTRICITY)	60 272	58 925	58 925	-2%	
SMART METERING WATER SOLUTIONS	179 243	127 231	127 231	-41%	
SMART METERING WATER SOLUTIONS c/o	–	749	–		
ACQUIRE ERP SYSTEM (ASSET MANAGEMENT SYSTEM, PROCUREMENT SYSTEM, etc)	5 000	3 128	3 128	0%	
ACQUIRE ERP SYSTEM (ASSET MANAGEMENT SYSTEM, PROCUREMENT SYSTEM, etc) c/o	–	10 726	10 303	100%	

LAPTOPS-INTERNS	–	76	76	0%	
ALTERATIONS OF ZONE 11 BUILDING ERF 2460	–	2 000	141	100%	
ASSET REPLACEMENTS - INSURANCE	5 000	3 269	3 236	-54%	
BACK-UP GENERATORS	–	800	–	0%	
REHABILITATION OF CASH OFFICES	–	1 212	1 186	100%	
CONSTRUCTION OF OFFICE ACCOMODATION	2 000	–	–	0%	
CONSTRUCTION OF OFFICE ACCOMODATION c/o	–	172	172	0%	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					<i>T 3.25.6</i>

### COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL

Financial Services budgeted to receive revenue of R3.051 billion, of the budgeted amount 99% was received, which amounted to R3.035 billion. The budgeted expenditure for the directorate amounted to R0.727 billion of which 103% (R0.753 billion) was spent. The budgeted net operational expenditure amounted to R2.324 billion and the actual being R2.283 billion.

The capital projects are in line with the Buffalo City Metropolitan Municipality's Metro Growth & Development Strategy (MGDS) strategic outcome of a well governed city. The total Capital budget that was allocated for the Directorate of Finance was R0.210 billion and 98% (R0.205 billion) of the budget was spent. The Directorate will work to improve on the use of capital funds and better invest on capital expenditure. It is confirmed that the five-year targets as set out in the IDP schedule can be attained within the approved budget provision T 3.25.7

### 3.26 HUMAN RESOURCE SERVICES

#### INTRODUCTION TO HUMAN RESOURCE SERVICES

Human Resources services focus on successfully managing employees at all levels. It currently bridges the gap between employee performance and the strategic objective to ensure the availability of a competent and performance-driven workforce. It also provides opportunities for employee personal development and maintaining healthy relationships between Management, staff and labour. Developing and reinforcing change management in the organisation is ongoing.

The Municipality is focused on filling all Senior Management and service delivery posts. Prioritisation in reducing certain staff costs is being investigated to reduce staff costs to ensure sound financial control. Job evaluation is ongoing, and BCMM is currently reviewing the organisational structure. T3.26.1

#### SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The table below reflects the human resources movement during the 2021/2022 financial year: -

MOVEMENT	NO
Staff Compliment	5,404
Councillors	99
Traditional leaders	0
Interns	79
Terminations	275
Appointments	184

#### T 3.26.2

Human Resource Services Policy Objectives Taken From IDP									
Service Objectives	Service Indicators	Year 2020/2021		Year 2021/2022		2021/2022	2022/2023		
		Target	Actual	Target	Actual	Actual	Target	Target	
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To ensure BCMM is well structured and capacitated	% of the municipality's budget actually spent on implementing its workplace skills plan training and development opportunities to BCMM staff	80%	85%	100%	82%	99.0%	99%	85%	
Improved performance and capacity of the institution	Staff vacancy rate	6.2%	6%	6.2%	8%	11.36%	8%	8%	
Improved performance and capacity of the institution	Number of individuals connected to apprenticeships and learnerships through municipal intervention	N/A	N/A	N/A	40 learners	36 learners	40 learners	40 learners	
Improved performance and capacity of the institution	Percentage of vacant posts filled within 3 months	N/A	N/A	N/A	100% (233 of 466 vacant fund posts to be filled)	15.02%	100% (233 of 466 vacant fund posts to be filled)	100% (233 of 466 vacant fund posts to be filled)	
Improved performance and capacity of the institution	Number of active suspensions longer than three months	20 (number of suspension longer than 3 months not to exceed 5)	10 (number of suspension longer than 3 months not to exceed 5)	20 (number of suspension longer than 3 months not to exceed 5)	20 (number of suspension longer than 3 months not to exceed 5)	20 (number of suspension longer than 3 months not to exceed 5)	20 (number of suspension longer than 3 months not to exceed 5)	20 (number of suspension longer than 3 months not to exceed 5)	
Improved performance and capacity of the institution	Number of Agenda Items deferred to the next Council meeting	3 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	0 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	3 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	3 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	0 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	3 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	3 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	
Improved performance and capacity of the institution	Quarterly salary bill of suspended officials	R10,000,000.00 (Quarterly salary bill of suspended officials must not exceed R10,000,000.00 per quarter)	R4,317,535.46 (Quarterly salary bill of suspended officials must not exceed R10,000,000.00 per quarter)	R10,000,000.00 (Quarterly salary bill of suspended officials must not exceed R10,000,000.00 per quarter)	R10,000,000.00 (Quarterly salary bill of suspended officials must not exceed R10,000,000.00 per quarter)	R6,589,842.88 (Quarterly salary bill of suspended officials must not exceed R10,000,000.00 per quarter)	R10,000,000.00 (Quarterly salary bill of suspended officials must not exceed R10,000,000.00 per quarter)	R10,000,000.00 (Quarterly salary bill of suspended officials must not exceed R10,000,000.00 per quarter)	
Improved performance and capacity of the institution	Number of people from employment equity target groups (females) employed in the 3 highest levels of management in compliance with municipality's approved employment equity plan	2	2	2	3	2	3	3	3

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \*Previous Year refers to the targets that were set in the Year -1 Budget/IDP round; \*Current Year refers to the targets set in the Year 0 Budget/IDP round; \*Following Year refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.

T 3.25.3

## EMPLOYEES: HUMAN RESOURCE SERVICES

Job Level	Year 2020/2021	Year 2021/2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	11	12	12	0	0%
4 - 6	36	37	36	1	2.7%
7 - 9	62	67	64	3	4.5%
10 - 12	41	43	41	2	4.6%
13 - 15	10	11	11	0	0%
16 - 18	8	8	8	0	0%
19 - 20	4	4	4	0	0%
<b>Total</b>	<b>172</b>	<b>182</b>	<b>176</b>	<b>6</b>	<b>3.3%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.26.4

## FINANCIAL PERFORMANCE 2021/2022: HUMAN RESOURCE SERVICES R'000

Details	2020/21	2021/2022			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
<b>Total Operational Revenue</b>	<b>11 128</b>	<b>10 501</b>	<b>10 501</b>	<b>10 501</b>	<b>0%</b>
Expenditure:					
Employees	115 511	79 090	112 044	112 044	29%
Repairs and Maintenance	4	188	2	2	-11130%
Other	58 990	41 617	40 061	37 729	-10%
<b>Total Operational Expenditure</b>	<b>174 504</b>	<b>120 895</b>	<b>152 107</b>	<b>149 775</b>	<b>19%</b>
<b>Net Operational Expenditure</b>	<b>163 377</b>	<b>110 394</b>	<b>141 606</b>	<b>139 274</b>	<b>21%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. 3.26.5



CAPITAL EXPENDITURE 2021/2022: HUMAN RESOURCE SERVICES R'000					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>5 348</b>	<b>1 322</b>	<b>149</b>	<b>-3490%</b>	
OFFICE FURN AND EQUIPMENT (DIRECTOR-ATE)	500	500	19	-2567%	500
EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM	4 348	–	–	0%	4 348
SCANNERS	500	–	–	0%	500
OFFICE FURN AND EQUIPMENT (DIRECTOR-ATE) c/o	–	130	130	100%	–
SCANNERS c/o	–	68	–	0%	–
SCANNERS c/o	–	624	–	0%	–
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.26.6					

#### COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

1. Recruitment processes have been operating optimally, and the turnaround time for filling posts has improved compared to previous years.
2. There has been a reduction in the number of suspensions, and the suspension bill has decreased.
3. Staff expenditure is closely monitored and reported monthly to all Directorates.
4. Job Evaluation is an ongoing process, and 355 posts were evaluated during the year under review.
5. The proposed macrostructure was developed and is pending the consideration and approval of the Mayoral Committee and Council.

T 3.26.7

#### 3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The ICT Department, as the enabler of Information Communication and Technology of the institution, has a mandate guided by the ICT Strategy, which feeds into the City Development Strategy targeting key strategic areas of the IDP, namely:

- a) Municipal Transformation Organizational Development
- b) Integrate physical ICT Infrastructure to enhance multimodal connectivity
- c) Number of IT Systems integrated
- d) Municipal Basic Service Delivery & Infrastructure Development
- e) Develop and establish a smart city concept for the City
- f) Number of Public free Wi-Fi hotspots established for BCMM Citizens

## MEASURES TO IMPROVE PERFORMANCE

- Establishment of Governance Structures
- Operations Forum that monitors the performance of ICT
- ICT Steering Committee that monitors the progress of the ICT project
- Change Management Committee that ensures all improvement in the ICT environment
- Equip ICT employees with ICT training to keep up with ICT Standards to improve ICT services

## ICT GOVERNANCE

ICT governance structures that are fully operational are:

- ICT change review board
- ICT Security and Architecture Review Board
- ICT operations and projects forums
- Disaster Recovery Planning Forum

**The By-Law:** Installation of Electronic Communication Facilities was published in the Eastern Cape Provincial Gazette on 15 June 2020. The bylaw will enforce tariff plans to govern and control the use and rollout of the Electronic Communication Facilities in Buffalo City Metropolitan. The tariffs have already been approved and included in the tariff book.

## ICT SECURITY

Improved ICT security that includes:

- a) Covid-19 / Cyber Crimes
- b) Ensuring a functional and secure virtual environment
- c) Enable Virtual Environment to improve working relations and productivity
- d) Firewall Enhancements
  - FortiGate
  - Cisco
  - Weekly reports
  - Security Analysis Report
  - Threat Report
- e) Application Security
- f) Monthly Security Review Board addresses security issues
- g) User Awareness

## NETWORK INFRASTRUCTURE AND INTERNET

An improved ICT Network that includes:

- a) A City with fibre network connectivity to all major offices within the Metro
- b) Constructed microwave backbone link from East London CBD to Bhisho, King Williams Town and Dimbaza.
- c) Constructed microwave link from East London CBD to Beacon Bay and Gonubie.
- d) Sufficient Backup power in all network connectivity high-sites.

## APPLICATION AND SOFTWARE

The City is making use of the secured Microsoft Office 365 platform for:

- a) OneDrive
- b) Microsoft Teams
- c) Emails
- d) Electronic Document Management

## Streamline The Deployment of Products and Technologies

- a) Migration Of Applications to Azure Cloud Platform
  - High productivity
  - Enhanced scalability
  - Increased availability
  - Faster disaster recovery
  - Effective backup storage
  - Advanced data security
  - Reduced storage costs

T 3.27.1

## SERVICE STATISTICS FOR ICT SERVICES

The ICT unit received 467 IT equipment requests:

- a) Desktop/Laptops
- b) Smart Tabs
- c) Network Access
- d) Printers/Scanners/Copiers/Fax Machines
- e) Applications
- f) Cabling
- g) New network points

ICT further responded to a total of 9,565 incidents, which related to challenges with:

- a) Network
- b) Desktops/Laptops
- c) Electronic mail
- d) Applications
- e) Storage
- f) Security
- g) Printers
- h) Smart Tabs

T 3.27.2

ICT Services Policy Objectives Taken From IDP										
Service Objectives	Year 2020-21		Year 2021-22		Year 2022-23		Year 2023-24		*Following Year (x)	
	Target	Actual	Target	Actual	*Current Year (viii)	Target	*Current Year (ix)			
	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	(x)	(xi)			
Service Indicators (j)	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective xxx</b>										
Connected City: Implementation of ICT Master Plan	Number of Backup Power for High Sites	1	8	3	3	1	4			
WiFi for the City: Capacitate ICT infrastructure within BOMM	Number of WiFi hotspots established in BOMM halls	2	5	4	4	2	2			
Connected City: Implementation of ICT Master Plan	Number of BOMM halls with Fibre Network installed	2	2	1	1	1	2			
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. *Previous Year refers to the targets that were set in the Year -1 Budget/IDP round; *Current Year refers to the targets set in the Year 0 Budget/IDP round. *Following Year refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangements by municipalities in which IDPs play a key role. T 3.27.3										

EMPLOYEES: ICT SERVICES					
JOB LEVEL	YEAR 2020/2021	YEAR 2021/2022			
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
0 - 3	2	2	2	0	0%
4 - 6	1	1	1	0	0%
7 - 9	4	5	5	0	0%
10 - 12	24	23	22	1	4.35%
13 - 15	8	9	8	1	11.11%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>40</b>	<b>41</b>	<b>39</b>	<b>2</b>	<b>4.88%</b>

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.27.4*

FINANCIAL PERFORMANCE 2021/2022: ICT SERVICES R'000					
DETAILS	2020/2021	2021/2022			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	–	704	–	1	0%
Expenditure:					
Employees	26,222	45,379	45,091	45,091	-1%
Repairs and Maintenance	5,326	8,455	4,477	4,477	-89%
Other	46,206	51,278	53,031	49,577	-3%
Total Operational Expenditure	77,754	105,111	102,598	99,144	-6%
Net Operational Expenditure	77,754	104,407	102,598	99,143	-5%

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.27.5*



CAPITAL EXPENDITURE 2021/2022: ICT SERVICES R'000					
CAPITAL PROJECTS	2021/2022				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
<b>Total All</b>	<b>6,584</b>	<b>9,729</b>	<b>4,226</b>	<b>-56%</b>	
FIBRE NETWORK	1,500	1,500	1,136	-32%	1,500
LTE INFRASTRUCTURE	1,500	1,500	410	-266%	1,500
DISASTER RECOVERY ENHANCEMENT	1,500	–	–	0%	1,500
PROCUREMENT OF ICT EQUIPMENT	1,000	1,000	857	-17%	1,000
NETWORK EQUIPMENT REFRESH (KWT, MDA, BISHO)	1,000	1,000	183	-448%	1,000
INTELLIGENT OPERATING CENTRE HARDWARE & SOFTWARE	84	84	–	0%	84
PROCUREMENT OF ICT EQUIPMENT c/o	–	399	399	100%	–
CALL BUDGETING SYSTEM SOFTWARE c/o	–	244	201	100%	–
NETWORK EQUIPMENT REFRESH (KWT, MDA, BISHO) c/o	–	354	215	100%	–
LTE INFRASTRUCTURE c/o	–	711	696	100%	–
DISASTER RECOVERY ENHANCEMENT c/o	–	937	–	0%	–
INTELLIGENT OPERATING CENTRE HARDWARE & SOFTWARE c/o	–	2,000	129	100%	–

*Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.27.6*

### COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL

- a. ICT has, in the last financial year, embraced the 4th industrial revolution by ensuring that all users in the organization can work and perform their duties in a virtual environment. Change management proves to be the biggest challenge; however, the rest of the organization has also embraced this change to the new way of working. For example, council-related meetings have been set up and functioning in a virtual environment. In addition, Microsoft Office 365 has been rolled out to all users, and all user data has been stored in the Azure cloud environment.
- b. The fibre network between King Williamstown and East London has been completed and is in use by the Metro offices. Enhancement of the fibre network is ongoing to ensure quality, reliable and resilient infrastructure, where the Metro can lease or rent fibre connectivity to other stakeholders.
- c. The disaster recovery site is fully functional, and ICT is looking at addressing the power/electricity challenges where they exist with radio or network infrastructure. T3.27.7

### 3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

#### INTRODUCTION TO PROPERTY SERVICES

BCMM has a large portfolio of Capital Assets, Land, Buildings and Facilities of different uses, from which it delivers services to the community.

The Department is responsible for:

- a) Estate Management, Property Transfers and Transactions;
- b) Property Disposals, Acquisitions, Exchange and Expropriations;
- c) Building Maintenance, Refurbishment and Renewal

#### PROPERTY MANAGEMENT DEPARTMENT

The Buffalo City Metropolitan Municipality (BCMM) has a large portfolio of Capital Assets, Land, Buildings and Facilities of different uses, from which it delivers services to the community.

The department is responsible for the following:

- Estate Management, Property Transfers and Transactions;
- Property Disposals, Acquisitions, Exchange and Expropriations;
- Building Maintenance, Refurbishment and Renewal

These services are delivered through the following Divisions.

The Estates Management Division consists of the following Branches: Property Management and Land Reform and Transactions.

Property Management manages the Municipal Property Portfolio and is responsible for acquiring and allocating office space for Councillor's and Municipal Directorates, Inspections and Insurance.

Land Reform and Transactions is to support land restitution programs for people dispossessed by racially discriminatory legislation and price to support the vital process of reconciliation, reconstruction and development. Restitution is an integral part of the broader land reform programme and is closely linked to the need for land redistribution and tenure reform.

Land Redistribution provides historically disadvantaged individuals and communities with access to land for residential and productive uses to improve their income and quality of life.

Land Tenure Upgrading is to upgrade existing land rights, i.e. site permits, residential permits, lodgers permits, certificates of occupation and permission to occupy more secure. This land reform aspect is expressed in Section 25(6) of the 1996 Constitution.

Extended State Discount Benefit Scheme deals with all the beneficiaries before 1994 that were allocated houses by the previous regime. All the land rights are now being upgraded to the full title.

#### Property Disposal and Acquisitions Division

Property Disposals & Acquisitions is responsible for the disposal and acquisition of land/property (building) to enhance service delivery in the Buffalo City Municipality jurisdiction area. The core responsibility is to dispose of surplus property and land to the public for Residential, Business, Institutional, Industrial, Agricultural etc., finds expression in clause 25 of the Constitution of the Republic of South Africa. The intention is to address the Land Redistribution Programme of Buffalo

City Metropolitan Municipality.

Council approved that land parcels be acquired for Mixed Use Integration Zone, privately owned. As a result, the City acquired the following land parcels in the year under review.

### **LAND ACQUISITIONS**

#### **Land Parcel acquired:**

- Erf 9582 King Williams Town
- Portion 12 of Farm 304 East London)
- Portion 8 of Farm 304 East London
- Erf 5221 East London

### **LAND INVASIONS**

#### **MANAGING AND CURBING LAND INVASION AND ILLEGAL OCCUPATIONS OF LAND WITHIN BUFFALO CITY METROPOLITAN MUNICIPAL AREA OF JURISDICTION**

- Land Invasion refers, among other things, to an illegal occupation of land by an individual or groups, whether to establish a settlement, business or both and any other land use which would be deemed unlawful within municipal-owned land or other privately-owned properties without the consent of the owner.
- Large tracks of land have been unlawfully occupied, and in some areas, it impacts municipal plans. In response to such unlawful activities, steps have been taken by the City to deal with any unlawful land occupation. These include the application of Land Management Policy, Interdicts and Court Orders, and as such, these are documented.

### **PIE ACT**

#### **Prevention of Illegal Eviction from and Unlawful Occupation of Land Act (PIE Act) – Act 19 / 1998:**

- Urgent amendment is required if municipalities are to succeed in curbing land invasions.
- The City and other metros provided a comprehensive amendment bill to National Government on this matter.
- Places unnecessary burden on municipalities to provide alternative accommodation.
- Lack of a clear time period in which shacks can be demolished without a court order.

### **CATALYST OF UNLAWFUL LAND OCCUPATIONS (ULO)**

1. Service delivery protest
2. Need for space
3. Opportunistic entrepreneurship
4. Proximity to alternative services
5. Political manoeuvring
6. Economic Impacts of Covid-19 (Eviction from backyards)
7. "Gaming the system" (Awaiting temporary basic services)

## **BROAD CHALLENGES**

1. Judiciary systems and outcomes which favour land invaders due to the current PIE Act
2. Lack of intelligence at a local level that would assist in identifying perpetrators.
3. Delays in obtaining eviction/ court orders lead to an uncontrolled land invasion.
4. Difficulty in monitoring informal settlements which are not easily accessible.
5. Mushrooming of shacks after hours or during weekends.
6. Safety of staff when confronted by invaders who are often very violent.
7. Burden on City to provide alternative accommodation per current legislation when evicting from state and private land.
8. Unlawful sale of Council land
9. Lack of intergovernmental intervention between the City and other state landowners within the municipal jurisdiction.

## **LAND AUDIT**

Council identified a strategic imperative to conduct a land audit of all municipal-owned properties (land and buildings) within the Buffalo City Metropolitan Municipality. The primary aim and purpose of conducting a land audit is for the BCMM to have updated, accurate, reliable and verified information on buildings and land parcels. In addition, to address accurate land ownership information that will guide decisions on land management and verification through physical inspection of each property and indicate its use. e.g. vacant land or improved or invaded.

The City appointed a service provider in February 2020 to conduct a land audit and the project continued in 5 phases which includes: - Phase 1 - Data Collection, Phase 2 – Integration of Property Asset Register, Valuation Integration, Zoning Integration, and Lease Integration. Phase 3 – Cadastral verification, Ownership Verification and Building Footprint Capturing; Phase 4 – Field verification and Phase 5 – Integrated Spatial Database and Final Land Audit Report.

The land audit was completed, a close-out report was submitted to the Council on 27 October 2021 for adoption and approval, and a workshop was conducted for Councillors and Traditional Leaders.

## **THE BUILDING MAINTENANCE DIVISION**

**The Division consists of the following branches; the Contracts and Planning Branch, Operations Branch and Administration Branch**

### **The key objectives are:**

1. To ensure that building and assets are adequately maintained;
2. To ensure that the risks to BCM in this regard are effectively managed;
3. To ensure that the health, safety and security objectives are met; and
4. To ensure that BCM has the necessary information for monitoring the maintenance.

The Contracts and Planning Branch is responsible for the Building Maintenance Project Management programs for the work on CAPEX votes, with some of its work under Operating and OPEX votes. Their work covers the following functional maintenance areas:

1. Planned Maintenance
2. Deferred Maintenance

The Contracts and Planning section is as follows:

1. Electrical and Air-conditioning Works Section
2. Informal and Quotations Works Section
3. Emergency Works Section
4. Formal Tenders Works Section

**Procurement:** The Section undertakes the procurement of Contractors and Consultants by implementing BCMM procurement processes according to SCM guidelines.

**Construction Management:** The Section ensures that Maintenance projects are implemented to a good standard and managed in compliance with the various Acts and Regulations governing the construction industry.

**Contract Management:** The Section ensures that Maintenance projects and consultants are managed per the Agreement and that all parties meet contractual obligations.

**Financial Management:** The Section ensures that Maintenance projects are implemented within budget constraints, and that over-expenditure does not occur. Reporting on expenditure.

The Building Maintenance Contracts Branch carried out the following CAPEX projects in BCMM Wards.

Operations Branch is responsible for all minor Building Maintenance works on the Operating and Capital cost centres. Emergency and minor maintenance works are carried out through either internal in-house workshop sections and use annual tenderers.

The workshop sections are as follows:

1. Term Maintenance
2. Emergency Maintenance
3. Housing Maintenance
4. Electrical and Air- conditioning Maintenance
5. Inland Building Maintenance
6. Coastal Building Maintenance

The Administration Branch is responsible for the Administration of the Division, which includes the BMS database, Works Orders, Data Capturing, Sub-Stores, and all BMS Finances.

Refurbishment, renewal and maintenance of buildings are critical components to properly managing the physical assets and overall Property Management and meeting the statutory requirements.

#### **Budgets for the Property Management Department for 2020/2021**

Building & Facilities Maintenance	R12,026,295
Electrical Equipment	R467,727
Capex Building Major Maintenance and Refurbishment	R12,096,422
Capex Land Acquisition	R27,341,454
Operating Projects	R5,250,000

#### **T3.28.1**



## SERVICE STATISTICS FOR PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

## 1. THE SERVICE STATISTICS FOR PROPERTY MANAGEMENT DEPARTMENT ARE TOTALED AS FOLLOWS:

ITEMS	2021/2022
Acquisitions	4
Registered properties under the state discount scheme	100
Land Invasions	4
External Quotations and Emergency works	103
Internal minor and emergency works	1158
Contracts and Planned works	38
Planning, Specification, Site, Progress, Snag, Payment, and Final Inspections related the Building Maintenance Services in line with CIDB regulations.	2267
Jobs created by Building Maintenance in relation to Maintenance Works Completed	408
Annual Tenders	6

## T3.28.2

PROPERTY; LEGAL; RISK MANAGEMENT; AND PROCUREMENT SERVICES POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2020/21		2021/22			2022/23		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Pre- vious Year		*Pre- vious Year	*Cur- rent Year		*Cur- rent Year	*Cur- rent Year	*Fol- lowing Year
		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Number of land parcels acquired by Council for Mixed Use Integration Zone and Densification (public and privately owned).	Land parcels acquired	4	1	4	4	4	4	4	4
Number of BCMM owned buildings upgraded	Upgrading of BCMM owned buildings	12	12	12	12	12	12	12	12

**T 3.28.3**

EMPLOYEES: PROPERTY; LEGAL; RISK MANAGEMENT; AND PROCUREMENT SERVICES					
Job Level	Year 2020/2021		Year 2021/2022		
	Employees	Posts	Employees	Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	8	11	9	2	18.2%
4 - 6	50	39	27	12	30.8%
7 - 9	9	31	27	4	12.9%
10 - 12	8	13	10	3	23.1%
13 - 15	6	8	5	3	37.5%
16 - 18	7	12	7	5	41.7%
19 - 20	2	2	2	0	0%
<b>Total</b>	<b>90</b>	<b>116</b>	<b>87</b>	<b>29</b>	<b>25.0%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days (1061 3031 3071). T 3.28.4

**FINANCIAL PERFORMANCE 2021/2022: PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES R'000**

Details	2020/2021	2021/2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	21 776	9 255	1 214	8 050	-15%
Expenditure:					
Employees	36 136	52 950	36 007	36 007	-47%
Repairs and Maintenance	13 940	14 749	14 538	14 433	-2%
Other	179 287	90 544	105 828	160 108	43%
Total Operational Expenditure	229 364	158 243	156 373	210 549	25%
Net Operational Expenditure	207 588	148 988	155 158	202 499	26%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.28.5

**CAPITAL EXPENDITURE 2021/2022: PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES R'000**

Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	11 173	13 917	11 235	1%	
COASTAL MUNICIPAL COURT	2 000	–	–	0%	2 000
INLAND MUNICIPAL COURT	2 173	–	–	0%	2 173
ERM SYSTEM - ENTERPRISE RISK MANAGEMENT SYSTEM c/o	–	914	4	100%	–
REFURBISHMENT OF BUXTON, ELECTRICITY HOUSE, RESERVE BANK & OTHER MUNICIPAL BUILDINGS	7 000	4 939	4 939	-42%	7 000
LAND ACQUISITION & BUILDINGS	–	1 700	450	100%	–
LAND ACQUISITION c/o	–	1 268	941	100%	–
FENCING OF LAND AND BUILDINGS	–	3 761	3 566	0%	–
ORIENT THEATRE REFURBISHMENT c/o	–	1 335	1 335	100%	–

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.28.6

**COMMENT ON THE PERFORMANCE OF PROPERTY MANAGEMENT DEPARTMENT SERVICES OVERALL**

1. In the inland region, the City acquired Erf 9582 in King Williams Town to provide homes to beneficiaries that were left out from the Zwelitsha backyard dwellers.
2. In the midland region, Portion 8 and 12 of Farm 304 East London was acquired for formalizing Smiling Valley settlement.
3. In the coastal region, Erf 5221 East London was acquired for Nompumelelo expansion.
4. A milestone has been achieved in that the Land Audit was completed for BCMM to have updated, accurate, reliable and verified information on buildings and land parcels. In addition, to address accurate land ownership information that will guide decisions on land management and verification through physical inspection of each property and indicate its use. e.g. vacant land or improved or invaded.
5. To prevent and mitigate vandalism and break-ins into municipal buildings, the Department has fenced the following Administration Buildings, Bisho Civic Centre and the Sleeper site, and will continue fencing other structures in the outer years.

IDP / CAPITAL PROJECTS	BUDGET	COMMENTS
Land acquisition	R26,073,250	Erf 9582 King Williams Town for Sweetwater's Expansion was acquired.
Buxton, Electricity House and Reserve Bank refurbishment	R7,000,000	Buxton house gutters and internal toilets were completed and the Reserve Bank Building alterations to the 1st and 2nd floors were completed.
FENCING OF LAND AND BUILDINGS	R3,767,380	The Bisho Civic Centre fencing and the Sleeper Site was completed.
LAND ACQUISITION c/o	R1,268,204	Erf 9582 King Williams Town, Portion 12 of Farm 304 East London), Portion 8 of Farm 304 East London, Erf 5221 East London was acquired.

The department has performed exceptionally well in the refurbishment, renewal and maintenance of Buildings and Land acquisition, as seen in the table above. T3.28.7



# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

**Component J:  
Miscellaneous**

## COMPONENT J: MISCELLANEOUS

### INTRODUCTION TO MISCELLANEOUS

#### 1. ENFORCEMENT OF CITY'S SPATIAL DEVELOPMENT FRAMEWORK

Legal services have, in conjunction with the Directorate of Spatial Planning and Development, undertaken the task of instituting legal proceedings against individuals and entities which fail to comply with the City's zoning scheme regulations and Spatial Development Framework. Typically, these have included cases whereby the business has been conducted in residential areas not zoned for business purposes. In those instances, legal services, upon receiving a brief from Spatial Planning, have appointed lawyers to either obtain a court interdict prohibiting the conduct on the said premises or seek to obtain a declaratory order to ensure the enforcement of the zoning scheme regulations.

Fortunately, many of these cases are finalised on an unopposed basis, which has had a positive effect insofar as mitigating litigation costs and overall compliance. In rare instances where the conduct persists, lawyers are instructed to launch contempt of court proceedings to ensure further compliance with the court's directive.

#### 2. RECURRING AND FINANCIALLY DRAINING LITIGATION

In the year under review, The Buffalo City Metropolitan Municipality (BCMM) finds itself being brought to court, often in urgent applications, seeking diverse relief. The main areas are the blockage of electricity. The applicants in this category complain that they cannot buy electricity because the officials of the BCMM block them in circumstances where there has been no notice given to them in terms of the Electricity By-Laws that electricity will be disconnected. The said notice is issued in terms of Clause 6 of the said By-Law, and it notifies the consumer that he/she has 14 days to rectify the situation or make such arrangements with the Municipality. The said consumer must serve notice by personal service or registered post.

It is the service by registered post that gives problems. The Municipality must wait for the period mentioned in the notice before disconnecting or blocking the electricity supply to that consumer. How are these 14 days' periods computed present challenges? These challenges are that the Municipality utilises the services of a third party to issue these termination or suspension notices. The letter of suspension gets delayed at the post office, and by the time the notice is sent to the consumer, the Municipality has already blocked the consumer's account. It needs to be expressed that the Municipality is losing huge sums of money in litigation costs in this regard.

The Buffalo City Credit Control Policy 2020/2021 sets out the forms of DEBT COLLECTION mechanisms that the Municipality can use. These are:

- Disconnection of electricity supply. This is done in terms of Clause 8 (6) (a) (i) to (v) of the Policy;
- Blocking from the purchase of electricity. This is done in terms of Clause 8 (6) (b) (i) to (vi) (b);
- Restriction or disconnection of water flow. This is done in terms Clause 8 (6) (c) (i) to (ii) (b)
- Handover of debt to Collection Agents for legal collection. This is done in terms of Clause 8 (6) (d) (i) to (iv) (g).
- Withholding or offsetting grants-in-aid. This is done in terms of Clause 8 (6) (e)
- Withholding or offsetting payment on contracts. This is done in terms of Clause 8 (6) (f);
- Section 118 of the Local Government: Municipal Systems Act No 32 of 2000. This is done in terms of Clause 8 (6) (g) a to (ii) (c);
- Withholding approval of building plans.
- Other debt collection methods.

Of fundamental importance is Clause 8 (4), which records that:

“Amounts on accounts, which remain unpaid after the due date, will be subject to a fourteen (14) day notice period notification prior to the intended debt collection action that will be instituted.”

T3.29.0





# **CHAPTER 3**

## **SERVICE DELIVERY PERFORMANCE**

### **Component K: Organisational Performance Scorecard**

BUFFALO CITY METROPOLITAN MUNICIPALITY ANNUAL PERFORMANCE REPORT : 2021/2022 FINANCIAL YEAR													
KFA NO.	National Treasury Reference/BCM Code	Key Performance Indicator	Project	Baseline (Annual Performance 2020/2021)	Annual target for 2020/2021	Actual Performance for 2020/2021	Annual target for 2021/2022	Actual Annual Performance for 2021/2022	Portfolio of evidence	Reason for deviation	Corrective measures	Achievement levels	Responsible Directorate
NATIONAL PRESCRIBED INDICATOR													
KFA2	LED 3.11	Average time taken to finalise business licence applications	BCM Business Licence process	New Indicator	New Indicator	New Indicator	15 working days	8 working days	Quarterly Report on finalised business licence applications	N/A	N/A	Green	Directorate: Economic Development and Agencies
KFA1	FE 1.11	Percentage compliance with the required attendance time for structural firefighting incidents (formal & informal)	Fire Incidents Response Times	42.06% of calls responded to within required time for all categories of structural firefighting incidents	75% of calls responded to within required time for all categories of structural firefighting incidents	42.06% of calls responded to within required time for all categories of structural firefighting incidents	75% of calls responded to within required time for all categories of structural firefighting incidents	35.38% (690 in total, 244 were attended to within required time during 2021/2022)	News of the Day (Incident Reports) extracted from the Emergency Service System (ESS) - Fire Call logging system; Occurrence Book printouts	This indicator is a cross-cutting indicator in that it relies on several factors to capacitate Fire & Rescue Services to attempt to meet target. Such factors include: -Roadworks & condition of roads – detours, potholes create navigational challenges and delays in response times -Speedhumps – certain roads not within BCMM jurisdiction (provincial roads) have speedhumps which hamper/reduce the speed travelled by Fire Engines in responding to fire calls -Volume of traffic – major roadwork construction on arterial routes create navigational challenges and delays in response times -Absence of designated Emergency Lane – create navigational challenges -Incorrect information relayed to Control Room – wrong addresses given by callers when reporting fires	Corrective measures undertaken by this Directorate in addressing cross-cutting factors are as follows: In addressing factors 1-4, Fire & Rescue Services will set up an Advisory Committee in July 2022 to address these cross-cutting issues (detours, potholes, speedhumps), with the first meeting anticipated to take place in August 2022. A Memorandum will be sent before 15 July 2022 from HOD: Public Safety & Emergency Services to the HOD's of Executive Support (GIS), Spatial Planning (speedhumps); and Infrastructure Services (potholes), advising of the Advisory Committee to be set up and requesting representation from these respective directorates.	Red	Directorate: Public Safety and Emergency Services
BCM INDICATORS													
KFA5	IPC 22	Number of bursaries awarded	Bursaries Non - Employee	50 Bursaries Awarded	50 Bursaries Awarded	50 Bursaries Awarded	50 Bursaries Awarded	50 Bursaries Awarded	Award letters	N/A	N/A	Green	Directorate: Executive Support Services
KFA5	IPC11	Number of Jobs Created through Expanded Public Works Programme	EPWP	5660	5633	5660	5630	6006	Contractors labourers Register with Employee Names	N/A	N/A	Green	City Manager's Office (EPWP)
KFA5	IPC 5	Number of direct and indirect job opportunities created through Economic Development Projects, initiatives and partnerships	LED initiatives, Projects and partnerships	354	400	354	800	857	Register with ID number	N/A	N/A	Green	Directorate: Economic Development and Agencies
KFA2	IPC3	Number of interventions supported to retain existing investors and promote attraction of new investment into Buffalo City	Invest Buffalo City, Direct investment area, investment promotion collateral centre	3	3	3	3	3	Quarterly Report	N/A	N/A	Green	Directorate: Economic Development and Agencies
KFA1	IPC3	Number of infrastructure projects for informal traders implemented	Scenery Park and Midansane NU 13 Hawker stalls	1 (Midansane NU 13 Hawker Stalls)	2 (Scenery Park Hawker Stalls and Midansane NU 13 Hawker Stalls)	1 (Midansane NU 13 Hawker Stalls)	2 (Duncan Village and Nompumelo Hawker Stalls)	1 (Nompumelo Hawker Stalls)	Completion Certificates	The target could not be achieved due to delays in appointment of the service providers to carry out the work at Duncan Village	The service provider have started working on site, the project will be completed by the end of the 1st Quarter 2022/23 financial year.	Yellow	Directorate: Economic Development and Agencies

KFA 1   IPC 4	Training and Procurement of equipment and machinery for support SMMEs and Cooperatives	2 (Training, The procurement of equipment and machinery for support SMMEs and Cooperatives)	2 (Training and Procurement of equipment and machinery for support SMMEs and Cooperatives)	2 (Training, The procurement of equipment and machinery for support SMMEs and Cooperatives)	5 (Provision of equipment and machinery for support SMMEs and Cooperatives)	5 (Provision of equipment and machinery for support SMMEs and Cooperatives)	Quarterly Report	N/A	N/A	Directorate: Economic Development and Agencies
KFA 7   IPC6	Number of Arts, Culture and Heritage projects implemented	1 (Fencing of World War 1 Heritage Site, Cattle Killing Site Upgrade, Fencing of Settlersway Cemetery)	3 (Fencing of World War 1 Heritage Site, Cattle Killing Site Upgrade, Fencing of Settlersway Cemetery)	1 (Restoration of Bishop Desmond Tutu, Mdantsane Art Centre Extension and Upgrading approved architectural designs, Fencing of Rharhabe Kingdoms Graves, Fencing of Settlers Way Cemetery, Fencing of Cattle Killing site, Artist Support programme (Bi-Support programme (Bi-Memorial Stone, 13 (Quarterly Destination Marketing programme x4; Quarterly Tourism Events programme x 4; quarterly quarterly Tourism SMME Support programme x1; Quarterly Tourism Awareness Programme x4)	9 (Restoration of Bishop Desmond Tutu, Mdantsane Art Centre Extension and Upgrading approved architectural designs, Fencing of Rharhabe Kingdoms Graves, Fencing of Settlers Way Cemetery, Fencing of Cattle Killing site, Artist Support programme (Bi-Support programme (Bi-Memorial Stone, 13 (Quarterly Destination Marketing programme x4; Quarterly Tourism Events programme x 4; quarterly quarterly Tourism SMME Support programme x1; Quarterly Tourism Awareness Programme x4)	9 (Restoration of Bishop Desmond Tutu, Mdantsane Art Centre Extension and Upgrading approved architectural designs, Fencing of Rharhabe Kingdoms Graves, Fencing of Settlers Way Cemetery, Fencing of Cattle Killing site, Artist Support programme (Bi-Support programme (Bi-Memorial Stone, 13 (Quarterly Destination Marketing programme x4; Quarterly Tourism Events programme x 4; quarterly quarterly Tourism SMME Support programme x1; Quarterly Tourism Awareness Programme x4)	Quarterly Report	N/A	N/A	Directorate: Economic Development and Agencies
KFA 4   IPC7	Number of initiatives (programmes) implemented to promote Buffalo City as a tourist destination of choice	5 (Destination Marketing Programme, Tourism Events programme, Buffalo City Support Programme)	5 (4 x Quarterly Destination marketing programmes and 1 x Quarterly Tourism Events Programme)	5 (Quarterly Destination Marketing programme x4; Quarterly Tourism Events programme x 4; quarterly quarterly Tourism SMME Support programme x1; Quarterly Tourism Awareness Programme x4)	12 (Export Sector Specific Training, Trade Seminars, Trade Missions, Global Exporter Programme, Export Symposium, Exporter Development Programme)	12 (Export Sector Specific Training, Trade Seminars, Trade Missions, Trade Missions, Trade Seminars, Trade Missions, Global Exporter Passport Programme, Global Exporter Passport Programme, Export Symposium, Exporter Development Programme, Trade Missions, Trade Missions, Exporter)	12 (Export Sector Specific Training, Trade Seminars, Trade Missions, Trade Missions, Trade Seminars, Trade Missions, Global Exporter Passport Programme, Global Exporter Passport Programme, Export Symposium, Exporter Development Programme, Trade Missions, Trade Missions, Exporter)	Quarterly Report	N/A	Directorate: Economic Development and Agencies
KFA 2   IPC3	Number of interventions implemented on export development and promotion for emerging exporters on a quarterly basis	12 (Export Sector Specific Training, Trade Seminars, Global Exporter Passport Programme, Export Symposium, Exporter Development Programme)	12 (Export Sector Specific Training, Trade Seminars, Trade Missions, Trade Missions, Trade Seminars, Trade Missions, Global Exporter Passport Programme, Global Exporter Passport Programme, Export Symposium, Exporter Development Programme, Trade Missions, Trade Missions, Exporter)	12 (Export Sector Specific Training, Trade Seminars, Trade Missions, Trade Missions, Trade Seminars, Trade Missions, Global Exporter Passport Programme, Global Exporter Passport Programme, Export Symposium, Exporter Development Programme, Trade Missions, Trade Missions, Exporter)	6 (Food security, Fencing, Piggy Structure Production inputs)	6 (Food security, Fencing, Piggy Structure Production inputs)	Quarterly Report	N/A	N/A	Directorate: Economic Development and Agencies
KFA 6   IPC11 (a)	Number of Agricultural Farmer support programmes implemented	7 (Tractor maintenance Programme, Food security, Fencing, Hydroponics (Zwelitsha), Hydroponics (Duncan Village), Hydroponics (Mngqeshu), Hydroponics (Ginsberg,Hydroponics cs: Bhishe)	6 (Tractor maintenance Programme, Food security, Fencing, Hydroponics (Zwelitsha), Hydroponics (Duncan Village), Hydroponics (Mngqeshu), Hydroponics (Ginsberg,Hydroponics cs: Bhishe)	7 (Tractor maintenance Programme, Food security, Fencing, Hydroponics (Zwelitsha), Hydroponics (Duncan Village), Hydroponics (Mngqeshu), Hydroponics (Ginsberg,Hydroponics cs: Bhishe)	6 (Food security, Fencing, Piggy Structure Production inputs)	6 (Food security, Fencing, Piggy Structure Production inputs)	Quarterly Report	N/A	N/A	Directorate: Economic Development and Agencies

KFA 1   IPC20	% Reduction in traffic facilities on BCMM roads	Reduction in road facilities on BCMM roads	3% reduction	3% reduction	9% reduction	3% reduction	5% reduction	2,85% reduction	SAPS Report, Hazloc operational plans	N/A	N/A	N/A	Directorate: Public Safety and Emergency Services
KFA 1   IPC 19	Number of Areas covered by surveillance cameras	Roll out of CCTV cameras in BCMM	1 (Completed Electrical supply & installation to 11 x CCTV sites in KWT CBD - (Phase 2).	1 (Phase 2 - 11 Sites)	1 (Phase 2 - 11 Sites)	1 (Completed Electrical supply & installation to 11 x CCTV sites in KWT CBD - (Phase 2).	1 Area (Phase 2 - KWT New Traffic Department)	0	N/A	Top Management decision taken during 2nd Quarter, to prioritize and complete all vandalised and non-functioning CCTV Sites, and this impacted on the 3rd & 4th Quarters planned targets, as Contract C336 had already expired on the 28th of Feb. 2022.	Management consulted with Internal Audit after the 3rd Quarter reporting, that the 4th Quarter SBPIP Report be re-adjusted, as this would impact on the planned target not being achieved, due to Contract C335 expiring on the 28th of February 2022. This however was not done due to the submission being too late for consideration & approval by Council. Dept to ensure that a new process is being followed for the new financial year, as the 3rd & 4th quarter are implemented.	Directorate: Public Safety and Emergency Services	
KFA 1   IPC 2	Number of fire stations refurbished	Refurbishment of Fire Stations	2 Fire Stations (Greenfields and Fleet Street Fire Stations)	3 Fire Stations (Greenfields and Fleet Street Fire Stations)	3 Fire Stations (Gompo, Fleet Street & Méantsane)	2 Fire Stations (Greenfields and Fleet Street Fire Stations)	3 Fire Stations (Gompo, Fleet Street & Méantsane)	1 (one) fire station refurbished MÉANTSANE FIRE STATION - roof refurbishment)	Copy of requisition, order and signed invoice	GOMPO FIRE STATION: Enjilias Bay Doors: work still in progress under A/Rs Tender C618 No. 30, 31, 32, 2022. FLEET STREET FIRE STATION: New Generator. Budget only made available during the mid-year budget adjustment in February 2022. Processes beyond the departments control delayed the procurement process.	GOMPO FIRE STATION: Certain works to be completed by August/September 2022.  FLEET STREET FIRE STATION: Specifications already drafted and will be submitted to first BSC meeting of 2022/23 - anticipate it will take place in July 2022.	Directorate: Public Safety and Emergency Services	
KFA1   HS 3.2/IPC18	Number of community halls upgraded	Community Halls upgrade	1 (Nu 10 Community Hall works completed, Doors and Windows)	1 (Nu 10 Community Hall works completed, Doors and Windows)	4 (Berlin Town Memorial Hall, War Memorial Hall, Roji Skonjans hall, Carnegie Hall)	1 (Nu 10 Community Hall works completed, Doors and Windows)	4 (Berlin Town Memorial Hall, War Memorial Hall, Roji Skonjans hall, Carnegie Hall)	Completion Certificates, Invoices, and Photos	N/A	N/A	N/A	Directorate: Sport, Recreation and Community Development	
KFA 1   HS 3.2/IPC16	Number of community halls constructed	Community Halls construction	Fencing and Gates. Retaining wall on boundary line. Floor Covering & Ceilings.	Fencing and Gates. Retaining wall on boundary line. Floor Covering & Ceilings.	1 (Nompumelelo Hall)	Fencing and Gates. Retaining wall on boundary line. Floor Covering & Ceilings.	1 (Nompumelelo Hall)	N/A	N/A	There are issues regarding the plans for this community hall that require resubmission. The completion certificate can be issued once the above process has been concluded.	The hall is completed and been handed over to the community, the actual use of hall can only take place once the occupancy certificate has been issued. The consultants are in the process of correcting the issues regarding the as built plans.	Directorate: Sport, Recreation and Community Development	
KFA9   HS 3.1/IPC16	Number of Swimming Pools upgraded	Upgrading of swimming pools	1 (Ruth Belonsky Pool-replacement of fencing completed on the 31 January 2021 and Midantsane Pool site handover completed on the 09 February 2021)	3 (Joan Harrison, Ruth Belonsky, Midantsane N2 Pool)	3 ( King Williams Town, Joan Harrison, Midantsane N2 Swimming Pool)	1 (Ruth Belonsky Pool-replacement of fencing completed on the 31 January 2021 and Midantsane Pool site handover completed on the 09 February 2021)	1 (Joan Harrison Swimming Pool)	Photos and invoices for installation of new starting blocks	King William's Town Swimming Pool could not be upgraded due to the fact the funding for King Williams Town Swimming Pool was held in abeyance, as the funding may be required to augment the completion of the Nu 2 Swimming Pool project which is currently underway.	Should the funding for the Nu2 swimming pool project not be required, then the King Williams Town swimming pool upgrading will be completed by the 31 December 2022.	Directorate: Sport, Recreation and Community Development		
KFA1   HS 3.1/IPC15	Number of beach facilities upgraded	Upgrading of beach facilities	2 (Eastern Beach and Orient beach complex)	2 ( Eastern Beach and Orient beach complex)	3 (Orient and Gonubie Beaches)	2 (Eastern Beach and Orient beach complex)	3 (Orient, Gonubie and Nahoon Beaches)	Pictures, invoices	There was additional funding that was accessed from Adjustment budget which made it possible to achieve the three (3) beaches upgrading	N/A	N/A	Directorate: Solid Waste and Environmental Management	
KFA9   HS 3.1/IPC14	Number of Zoo facilities upgraded	Upgrading of Zoo Facilities	0 (Predator Enclosure, Upgrade of Pupule Enclosure)	0 (1 (Jaguar enclosure)	1 (Jaguar enclosure completed)	0 (1 (Jaguar enclosure)	1 (Jaguar enclosure completed)	Order, invoices, completion certificate and photos	N/A	N/A	N/A	Directorate: Sport, Recreation and Community Development	
KFA4   IPC13	Number of Aquarium facilities upgraded	Refurbishment of Aquarium	1 X Refurbishment of Aquarium boardwalk	1 (Refurb of Aquarium boardwalk)	1 (live animal exhibit)	1 X Refurbishment of Aquarium boardwalk	0	N/A	Awaiting specifications from structural engineer to inform tender document	Receipt of specifications and submission in second quarter for advertising	Directorate: Sport, Recreation and Community Development		
KFA9   HS 3.4/IPC12	Number of sports facilities upgraded	Upgrading of Sports facilities	1 (Floods lights at Jan Smuts stadium completed)	1 (Jan Smuts Stadium)	3 (Westbank sportsfield, Bunkers Hill softball stadium, Seiborne Tennis complex)	1 (Floods lights at Jan Smuts stadium completed)	3 (Westbank sportsfield, Bunkers Hill softball stadium, Seiborne Tennis complex)	Invoices/photos before and after, order, Completion certificate	N/A	N/A	N/A	Directorate: Sport, Recreation and Community Development	
KFA 8   IPC 21	Number of sport development programmes supported	Sport Development	3 (Coaching Sessions)	3 (Coaching Sessions)	3 (Coaching Sessions)	3 (Coaching Sessions)	3 (Coaching Sessions)	Attendance Register and Service Desk training information	N/A	N/A	N/A	Directorate: Sport, Recreation and Community Development	

STRATEGIC OUTCOME 2: A GREEN CITY										
NATIONAL PRESCRIBED INDICATORS										
KFA1 ENV 5.11	Percentage of known informal settlements receiving integrated waste handling services	100%	100%	100%	100%	100%	100%	Status report of known informal settlements receiving integrated waste handling services (Signed by Senior Manager)	N/A	Directorate: Solid Waste and Environmental Management
KFA1 ENV 5.11	Percentage of coastline with protection measures in place	72% (82 km overall BCMM coastline of which 60km is protected)	New indicator	72%	73.2%	73.2%	73.2%	Future works: Sustainable (CMP document and Spatial maps for coast line)	N/A	Directorate: Solid Waste and Environmental Management
KFA1 ENV 5.12	Number of coastal water samples taken for monitoring purposes	New indicator	New indicator	400 water samples taken & analysed	817 water samples taken & analysed			Laboratory Reports on the analysis of water samples (NHLs Excel Customer Detailed Schedule)	N/A	Directorate: Solid Waste and Environmental Management
KFA1 ENV 5.21	Number of inland water samples tested for monitoring purposes	New indicator	New indicator	400 water samples taken & analysed	469 water samples taken & analysed			Laboratory Reports on the analysis of water samples (NHLs Excel Customer Detailed Schedule)	N/A	Directorate: Solid Waste and Environmental Management
KFA1 ENV 5.21	Proportion of biodiversity priority areas protected	48.85%	48.85%	48.85%	69%			Wetlands Report & Nature Reserves GIS Spatial Maps Report	N/A	Directorate: Solid Waste and Environmental Management
KFA1 ENV 5.11	Percentage of biodiversity priority areas within the metro	2.6%	2.6%	2.6%	3.9%			Wetlands Report & Nature Reserves GIS Spatial Maps Report	N/A	Directorate: Solid Waste and Environmental Management
KFA1 ENV 1.11	Percentage of atmospheric emission licenses (AELs) processed and processed per within guideline timeframes	100% (4 applications completed) & two AEL issued	100% (4 applications completed) & two AEL issued	100%	100%			Atmospheric Emission Licence (AEL) issued. Invoice from BCMM.	N/A	Directorate: Solid Waste and Environmental Management
KFA1 ENV 1.12	Proportion of Air Quality (AQ) monitoring stations providing adequate data over a reporting year	79.47%	75% Air Quality Stations (East London, Zwellithsa & Gomo Clinic)	75% Air Quality Stations (East London, Zwellithsa & Gomo Clinic)	42% Total Average per annum - Q1 - 54.87% Q2 - 46% Q3 - 24% Q4 - 42.57%			Print out - data recovery from three (3) air quality monitoring stations. Business Plan RFP document attached	Air Quality Monitoring Stations: Service provider was requested to reconnect the two stations and to ensure access to data. The stations are functional and June data was retrievable. A Business Plan was submitted to procure, install, and commission solar panels for the three air quality monitoring stations. Implementation of the Business Plan to procure, install and commission solar panels for the three air quality monitoring stations by 30 June 2023. Procurement process has already been initiated. It is anticipated that the solar panels will be installed by 30 June 2023. The PM10, 2.5 analyser was taken for diagnosis and the results are not yet available. . .	Directorate: Solid Waste and Environmental Management
KFA1 GC 101	Number of Tons of recyclables diverted from Landfills to Buy-Back Centres	New indicator	New indicator	20 Tons of recyclables diverted	81 171.16 Tons of recyclables have been diverted			Buyback Centre Data of Recyclables: Operational Report	N/A	Directorate: Solid Waste and Environmental Management



KFA1 GC 102	Number of Waste Diversion Centres Established	Establishment of Buy-Back Centres	New Indicator	New Indicator	New Indicator	New Indicator	4 Buyback established (Two at Coastal, One (1) at Midland, One (1) at Inland)	2 Buy back centres established in the Coastal region Le. Southernwood and East London CBD.	Pictures, Partnership with BCMH and BKCOB Business Plan approved by National Treasury, Operational Report	1) Delays in finalising the MOU between BCMH, ECHIDA and BKCOB which caused delays in establishing Buy Back Centres in Midland and Inland region. 2) Establishment of the two (2) remaining Buy Back Centres in Midland and Inland region is underway.	Management will facilitate the establishment of Buy Back Centres through sign MOU, providing the necessary funds for the buy back centres. The remaining (2) Buy Back Centres will be established within the current financial year 2022/2023. The Inland Buy Back Centre will be established by 30 November 2022 and the Midland Buy Back Centre will be established by 28 February 2023. The MOU has since been signed. The Directorate will in future facilitate the MOU process well ahead of time to avoid further delays. The current MOU is binding for a period of Five (5) years.	Directorate: Solid Waste and Environmental Management
KFA1 GC 11	Upgrading of Beacon Bay Transfer station	Upgrading of Transfer station	0	Fencing, signage, Site clearance & Guard house	Not achieved	Fencing, signage, Site clearance & Guard house	Fencing has been installed	Photos of before and after of the site, Progress report signed by HOD	Insufficient budget to implement all the planned targets.	Management will facilitate the procurement process for the installation of signage and provision of access control in 2022/2023 financial year, targeting the end of March 2023. Funding for the project has been allocated in the approved budget for 2022/2023 financial year.	Directorate: Solid Waste and Environmental Management	
KFA1 GC 10	Number of Community Parks Upgraded	Upgrading and Development of Community Parks	0	6 (Wards 32, 14, 32, 34, 44 & 45)	0	2 (Coastal - Ward 45 Midland - Ward 3)	2 (Coastal-Palisade fencing erected at St Georges Play Park and Midland - Floodlights installed at Berlin Park)	Invoices, Photos and Completion Certificate	N/A	N/A	Directorate: Sport, Recreation and Community Development	
<b>SRTATEGIC OUTCOME 3: A CONNECTED CITY</b>												
<b>NATIONAL PRESCRIBED INDICATORS</b>												
KFA2 EE.1.11	Number of dwellings provided with connections to the mains electricity supply	Electrification of formal and informal dwellings	1000	1000	1000	780	643	Completion certificate	Construction of houses delayed due to service delivery protest and illegal occupation of dwellings	Human Settlement to resolve community issues.	Directorate: Infrastructure Services	
KFA2 EE.3.11	Percentage of unplanned outages that are restored to supply within industry standard timeframes	Operations	100%	100%	100%	100%	100%	Log sheets from network outages control centre with calculations	N/A	N/A	Directorate: Infrastructure Services	
KFA2 EE.3.21	Percentage of Planned Maintenance Performed	Operations	35.2%	35.2%	35.2%	35.2%	84.8%	Maintenance schedule with calculations	N/A	N/A	Directorate: Infrastructure Services	
KFA2 EE.1.13	Percentage of valid customer application for new electricity connections processed in terms of municipal service standards	N/A	New Indicator	New Indicator	New Indicator	100%	93%	Excel spreadsheet depicting Description and date of completion	Operations staff not completing connections	Ensure material contract are awarded timeously	Directorate: Infrastructure Services	
KFA2 EE.4.12	Installed capacity of embedded generators on the municipal distribution network	N/A	50.1KW	29kw	50.1KW	29kw	1750.56 kw	Applications from the service providers/Consumer	N/A	N/A	Directorate: Infrastructure Services	
KFA1 TR6.11	Percentage of unsurfaced road graded	Rural Roads	4.25% (56.95km)	4.48% (60km)	4.25% (56.95km)	4.4% (60km)	5.925% (79.99km)	Maintenance Template for Re-gravelling	N/A	N/A	Directorate: Infrastructure Services	

KFA1 TR6.12	Percentage of surfaced municipal road lanes which has been resurfaced and sealed	2.065% (33.089km)	1.5% (24km)	2.065% 33.089km	0.9375 (15km)	1.439% (23.024km)	Completion Certificate	N/A	N/A	Directorate: Infrastructure Services
KFA1 TR6.13	KMs of new municipal road lanes built	New Indicator	New Indicator	New Indicator	1km	5.930km	Completion Certificate	N/A	N/A	Directorate: Infrastructure Services
KFA TR1.21	Length of Non Motorised Transport paths built (km)	3.726 km	3.995 km (Ward 12,25,34,41,44,45,46)	3.726 km	3.995 km (Ward 12,25,34,41,44,45,46)	2,11 km	Invoice	The SMMEs halted the construction for three weeks in February 2022 demanding to be employed on the Zwellitsha project. One contractor was terminated because of non-performance hence target was not achieved.	A New Contractor will be appointed in July 2022 to complete the works by end of first quarter 2022/2023 financial year. (September 2022).	Directorate: Spatial Planning and Development
KFA TR3.11	Number of weekday scheduled municipal bus passenger trips	1080	898	1080	1030	1259	Trip Sheets	N/A	N/A	Directorate: Spatial Planning and Development
<b>BCM INDICATORS</b>										
KFA2 EE1.7(CC 20)	Number of new high mast lights installed	0	9	0	9	9	Completion certificate	N/A	N/A	Directorate: Infrastructure Services
KFA1STR 6.1/CC6	Km of gravel Roads upgraded to Surfaced Standard	11.885km	16km	11.885km	6km	10.363km	Completion certificate	N/A	N/A	Directorate: Infrastructure Services
KFA1CC19	Number of bridges rehabilitated	3	3	3	2	2	Completion certificate	N/A	N/A	Directorate: Infrastructure Services
KFA2 CC 1	Number of Backup Power for High Sites installed	7	5	7	3	2	Sign-off document	There were delays in the tender process	Contract 77 was used to procure backup power units. It is expected that the job will be completed by 30 September 2022.	Directorate: Corporate Services
KFA2 CC 4 (a)	Number of halls with Wi-Fi installed	0	6 Halls with wifi hotspots	0	4 Halls with wifi hotspots	3 Halls with wifi hotspots installed	Sign-off document	There were delays in the tender process	Contract 469 has been cancelled. Informal tender advertised on the 7th June 2022. The service provider was appointed on the 2nd August 2022. It is anticipated that the project will be completed by 30th September 2022.	Directorate: Corporate Services
KFA2CC5	Number of Telephone Systems migrated to integrated intelligent voice platform	New Indicator	New Indicator	New Indicator	16 (PABX Telephone System migrated to Intelligent Voice Platform)	16 (PABX Telephone System migrated to Intelligent Voice Platform)	Acceptance form that Details the Work Completed by Service Provider	N/A	N/A	Directorate: Corporate Services
KFA2CC6	Number of Business processes automated	N/A	N/A	N/A	1 - HR (Grievance Process, Talent Management - Training Process, Talent Management - Staff Retention Process, Online Recruitment Portal)	0	N/A	Delays in the approval of the system	After further investigation with Microsoft and Azure it was advised that to host business processes to cloud will come at a huge cost to Council which is currently unaffordable. Therefore, the project is cancelled.	Directorate: Corporate Services
KFA2 CC 4 (b)	Number of Halls with Fibre Network installed	4	6 Halls with Fibre Network	4	1 Hall with Fibre Network (Ilitha Hall)	1 Hall with Fibre Network installed (Ilitha Hall)	Sign-off document	N/A	N/A	Directorate: Corporate Services

STRATEGIC OUTCOME 4: A SPATIALLY TRANSFORMED CITY										
NATIONAL PRESCRIBED INDICATORS										
KFA TR1.2/CC 21	Number of pedestrian bridges constructed	2 (Bridges completed)	2 (Wards: 6,8)	2 (Bridges completed)	3 (Wards 16, 31, 48)	3 (Wards 16, 31, 48)	3 (Wards 16, 31, 48)	3 (Wards 16, 31, 48)	3 (Wards 16, 31, 48)	Directorate: Spatial Planning and Development
KFA TR7.1/CC 21	Number of speed humps constructed	0	32 speed humps	0	40 speed humps	43 speed humps	43 speed humps	43 speed humps	The contractors performed beyond their expectations	Directorate: Spatial Planning and Development
KFA TR1.7/CC 21	Number of public transport facilities rehabilitated	1 (Ginsberg Taxi Rank Complete)	2 (Market Square Taxi Rank and Ginsberg Taxi Rank)	1 (Ginsberg Taxi Rank Complete)	1 (Ward 37 - Market Square Taxi Rank)	0	0	0	Contractor for Canopy has been terminated due to failure to complete the manufacturing of the canopies.	Directorate: Spatial Planning and Development
KFA TR1.1/CC 21	Number of Taxi Embayments constructed	3	4 (Ward 20 & 43)	3	3	3	3	3	N/A	Directorate: Spatial Planning and Development
STRATEGIC OUTCOME 4: A SPATIALLY TRANSFORMED CITY										
NATIONAL PRESCRIBED INDICATORS										
KFA2WS1.11	Number of new sewer connections meeting minimum standards.	334	500	334	300	312	312	312	N/A	Directorate: Infrastructure Services
KFA2WS2.11	Number of new water connections meeting minimum standards.	308	500	308	500	347	347	347	Target of 500 new water connections meeting minimum standards has not been attained in the 2021/2022 financial year. The outcome is influenced by the number of consumers wishing to apply for private connections, installed communal & yard standpipes and planned RDP water installations which cannot be known upfront. No new water connection data was received from the Department of Housing.	Directorate: Infrastructure Services
KFA2WS3.31	Percentage of water connections metered	N/A	98%	89%	92%	92%	92%	92%	N/A	Directorate: Infrastructure Services
KFA2HS1.11	Number of subsidised housing units constructed using various Housing Settlements Programs	468	400	468	420	213	213	213	Large contractors were at final procurement stages that affected commencement of work on site Reason for Deviation	Directorate: Human Settlements
KFA2HS1.12	Number of serviced sites	414	700	414	800	322	322	322	Finalisation of large construction contracts that were allocated to Housing Development Agency, increased production is expected by the end of next quarter.	Directorate: Human Settlements
									Finalisation of large construction contracts that were allocated to the Housing Development Agency, increased production is expected by the end of next quarter.	Directorate: Human Settlements

KFA2 HS2.22	Average Number of days taken to process Building Plan applications of 500 square meters or less	140.65 days.	28 Days	140.65 days.	28 Days	Q1 – 121.06 days Q2 – 177.07 days Q3 – 136.35 days Q4 – 141.08 Days (Annual Average – 122.34 days)	BPS Printout and Excel Spreadsheet	Some of the Building Plans have been in the Building Plan System (BPS) for up to 204, due to system inabilities with respect to cancellation of old Building Plans by the National Building Regulations and Building Standards Act 103 of 1977. All submitted Building Plans are kept in the BPS until approval as cancellation may constitute non-compliance with the provisions of the Act.  The BPS limitations, that is: inability to separate Building Plans (<500m2 and >500m2) as well as inability to reflect the actual date on which the amended Building Plan in compliance with the Act was completed also contributed to the deviation. The System's inability to track and speed up the relevant Departmental requirements and outstanding comments also resulted in non-achievement. The manual system used further contributed to non-tracking/tracing of progress on the Building Plans submitted for approval.	The service provider to facilitate the acquisition of an integrated Building System to replace the dysfunctional Building Plan System and reporting (to produce authentic reports) has been appointed. The ArcGIS for Local Authorities (AFLA) Portal designed by Esri will promote faster turnaround times on town planning and Building Plan online applications. Currently, the Building Plans are separated manually, and data transported to an Excel spreadsheet to calculate average number of days taken to approve Building Plans.  Monthly meetings are convened with General Managers from various Municipal Directorates to speedup comments for the processing of Building Plans for approval.	Directorate: Spatial Planning and Development	
KFA2 LED3.13	Average Number of days taken to process Building Plan applications of 500 square meters or more.	173.33 days.	58 Days	173.33 days.	58 Days	Q1 – 92.04 days Q2 – 169.90 days Q3 – 255.83 days Q4 – 192.44 Days (Annual Average - 177.55)	BPS Printout and Excel Spreadsheet	Some of the Building Plans have been in the Building Plan System (BPS) as far back as 2016 due to the system being unable to cancel old Building Plans and non-provision of guidelines with respect to cancellation of old Building Plans by the National Building Regulations and Building Standards Act 103 of 1977. All submitted Building Plans are kept in the BPS until approval as cancellation may constitute non-compliance with the provisions of the Act.  The BPS limitations, that is: inability to separate Building Plans (<500m2 and >500m2) as well as inability to reflect the actual date on which the amended Building Plan in compliance with the Act was completed also contributed to the deviation. The System's inability to track and speed up the relevant Departmental requirements and outstanding comments also resulted in non-achievement. The manual system used further contributed to non-tracking/tracing of progress on the Building Plans submitted for approval.	The service provider to facilitate the acquisition of an integrated Business Processing System to replace the dysfunctional Building Plan System and reporting (to produce authentic reports) has been appointed. The ArcGIS for Local Authorities (AFLA) Portal designed by Esri will promote faster turnaround times on town planning and Building Plan online applications. Currently, the Building Plans are separated manually, and data transported to an Excel spreadsheet to calculate average number of days taken to approve Building Plans.  Monthly meetings are convened with General Managers from various Municipal Directorates to speedup comments for the processing of Building Plans for approval.	Directorate: Spatial Planning and Development	
<b>BCM INDICATORS</b>											
KFA23 WS1.7/ST C 2	Number of abatement facilities constructed (seats)	107 (Seats)	60 (seats)	107 (Seats)	99 (seats)	97 (seats)	Internal completion certificate	The department only achieved a total of 97 seats than the initially planned number of abatement facilities seats of 99. The reason for deviation was that 2 abatement facilities could not be informal settlements due to the change of mind by the owner of the informal settlement previously planned for removal to provide the ablations.	There will be more engagement of communities and Ward Councilors during subsequent planning and setting of targets.	Directorate: Infrastructure Services	
KFA23 STC 15	Number of beneficiaries registered on NHR	2285	1 600	2285	2 010	2024	Proof of National Housing Needs Register	N/A	N/A	Directorate: Human Settlements	
KFA STC 28	Number of land parcels acquired for Council for Mixed Use and Integration Zone and Demolition (public and privately owned).	0	4 Land parcels acquired	0	4 Land parcels acquired	2 Land parcels acquired (1. Erf 9582 King Williams Town 2. Portion 12 of Farm 304 East London)	2 Proof of Lodgement (1. Erf 9582 King Williams Town 2. Portion 12 of Farm 304 East London)	Erf 5221 East London is in the registration stage. The Conveyancer Cooper Conroy & Bell is awaiting rates write-off from BCMM Revenue Management. Once that is done, Conveyancer will lodge at Deeds Office for registration.  Portion 8 of Farm 304 East London, the Conveyancer Van Der Meer Attorneys is awaiting SARS Transfer duty from SARS. Once that's received, they will lodge for registration.	Once the outstanding rates debt has been written off, in respect of Erf 5221 East London, the Conveyancer will lodge at the Deeds Office for registration.	Directorate: Spatial Planning and Development	
KFA STC 9	Number of BCM owned buildings upgraded	12	12	12	12	12	Internal practical completion certificate	N/A	N/A	Directorate: Spatial Planning and Development	
KFA23 STC 3	Number of cemeteries upgraded	3 (Heaven Hills, Zwellitsha, Phakamisa)	5 (Cambridge Cemetery, Zwellitsha, Phakamisa, Heaven Hills & Fort Jackson)	3 (Heaven Hills, Zwellitsha, Phakamisa)	5 (Cambridge Crematorium, Zwellitsha, Phakamisa, Haven Hills & Fort Jackson)	5 (Cambridge Crematorium, Zwellitsha, Phakamisa, Haven Hills & Fort Jackson)	Photos & Invoices	N/A	N/A	Directorate: Sport, Recreation and Community Development	
KFA23 STC 13	Number of Parks Deposits upgraded	2 (James Pearce Park, Berfin)	3 (James Pearce Park, Berfin)	2 (James Pearce Park, Berfin)	2 (NU6 Mdantsane & Berfin)	2 (NU6 Mdantsane & Berfin)	Photos, Invoice & Completion Certificate	N/A	N/A	Directorate: Sport, Recreation and Community Development	
<b>STRATEGIC OUTCOME 5: A WELL GOVERNED CITY NATIONAL PRESCRIBED INDICATORS</b>											

KFA3 WS3.11 2	Percentage of complaints responded to within 24 hours (sanitation/wastewater)	Operations and Maintenance	82%	Respond to 95% sewer service requests within 24 hours (Only covers covers inspection and identification of required repairs as well as issuing job cards).	82%	Respond to 100% of water outages and burst pipe complaints/queries within 24 hours. (Exclude completion of repairs)	Respond to 100% of water outages and burst pipe complaints/queries within 24 hours. (Exclude completion of repairs)	Responded to 100% of water outages and burst pipe complaints/queries within 24 hours. (Only covers inspection and identification of required repairs as well as issuing job cards).	Job cards with referenced numbers of complaints or a report from Water Management System, departmental reports.	N/A	N/A	Directorate: Infrastructure Services
KFA3 WS3.21 2	Percentage of complaints/calls responded to within 24 hours (water)	Operations and Maintenance	100%	Respond to 100% of water outages and burst pipe complaints/queries within 24 hours. (Exclude completion of repairs)	100%	Respond to 100% of water outages and burst pipe complaints/queries within 24 hours. (Exclude completion of repairs)	Responded to 100% of water outages and burst pipe complaints/queries within 24 hours. (Exclude completion of repairs)	Report from the water management system.	Report from the water management system.	N/A	N/A	Directorate: Infrastructure Services
KFA2 WS4.21 3	Percentage of industries with trade effluent inspected for compliance	Six monthly inspection of assessed industries	26,30%	100% of assessed industries inspected	26,30%	100% of assessed industries inspected	20%	Six monthly tariff letters submitted to each assessed industry.	N/A	N/A	N/A	Directorate: Infrastructure Services
KFA3 WS.5.1 7	A percentage of Non - revenue Water	Water conservation and water demand management	40%	35%	40%	35%	37%	Water balance report	Reported performance is up to April 2022, the billing data is not yet available for May and June 2022. The under achievement is due to the increase in water demand as a result of the provision of water supply free of charge to additional informal settlement, rural areas and additional villages that were previously not billed by Amalota Water	The reported achievement will be revised and finalised once the billing information for May and June 2022 becomes available.		Directorate: Infrastructure Services
KFA3 WS4.11 2	Percentage of water treatment capacity unused	N/A	New Indicator	New Indicator	New Indicator	New Indicator	10%	Production figures for Umzinyana WTW and KWT WTW	RPP Housing developments that were anticipated to be connected are still under construction.	None		Directorate: Infrastructure Services
KFA3 W4.31 2	Percentage of waste water treatment capacity unused	N/A	New Indicator	New Indicator	New Indicator	New Indicator	40%	Technical data for BOMM wastewater treatment works	There was less flow to the treatment works this financial year, resulting in more spare treatment capacity of 49% than the target of 40%. The water restriction is suspected as also played a role in less wastewater to treatment works.			Directorate: Infrastructure Services
KFA3 WS5.21 2	Infrastructure leakage index	Water conservation and water demand management	New Indicator	New Indicator	New Indicator	New Indicator	<7.3	Water balance report	Reported performance is up to April 2022, billing data is not yet available for May and June 2022.			Directorate: Infrastructure Services
KFA3 WGC25 7	Percentage total electricity losses	Electricity Losses	22,09%	Equal to or less than 19%	22,09%	Equal to or less than 19%	19,59%	Spreadsheet of electrical losses with calculation	N/A	N/A	N/A	Directorate: Infrastructure Services
KFA C9IWGC 41 27	% of the municipality's budget actual spent on implementing its workplace skills plan.	Human Resource Development	85%	80% of allocated Training Budget	85%	80% of allocated Training Budget	99% of allocated training budget	Solar printouts	N/A	N/A	N/A	Directorate: Corporate Services
KFA GG 1.21 46	Staff vacancy rate	Filling of vacant funded posts	6,2%	6%	6,2%	6%	9,9%	Staff Complement Vacancies funded posts reports	Staff being appointed into positions within the institution and therefore vacating their positions which hence raises the vacancy rate. Awaiting approval signatories.	The process will be streamlined to ensure that after the position has been advertised it is filled within 4 months.		Directorate: Corporate Services
KFA4 LED 1.31 1	Number of individuals connected to apprenticeships and learnerships through municipal interventions	Skills Development for unemployed local youth	18 enrolled in a Water Process Controller NQF2 learnership	18 enrolled in a Water Process Controller NQF2 learnership	18 enrolled in a Water Process Controller NQF2 learnership	18 enrolled in a Water Process Controller NQF2 learnership	36 learners	Quarterly Management Report	No new appointments due to lack of funds for advertisements. A new advertisement vote will be created vote by 30 September 2022.	Create an advertisement vote in the new financial year.		Directorate: Corporate Services



KFA4 6	GG 1.22	Percentage of vacant posts filled within 3 months	Filling of vacant posts within 3 months	New Indicator	New Indicator	New Indicator	New Indicator	100% (233 of 466 vacant posts to be filled)	48.5%	Appointment letters	Awaiting approval signatories.	The process will be streamlined to ensure that after the position has been advertised it is filled within 4 months		Directorate: Corporate Services
KFA 46	GG 5.11	Number of active suspensions longer than three months	Finalisation of all outstanding suspensions that are longer 3 months	New Indicator	New Indicator	New Indicator	New Indicator	20 (suspensions longer than 3 months not to exceed 20 per quarter)	Q1 - 11 Q2 - 8 Q3 - 16 Q4 - 20 (suspensions longer than 3 months per quarter during 2021/2022 financial year)	Suspension list	N/A	N/A		Directorate: Corporate Services
KFA 46	GG 4.11	Number of agenda items deferred to the next council meeting	N/A	New Indicator	New Indicator	New Indicator	New Indicator	3 (Must not exceed 3 agenda items deferred to the next Council meeting per quarter)	Q1 - 0 Q2 - 0 Q3 - 0 Q4 - 0 (No items were deferred to the next Council meeting for the period starting from 1 July 2021 to June 2022)	Council minutes	N/A	N/A		Directorate: Corporate Services
KFA 46	GG 5.12	Quarterly salary bill of suspended officials	N/A	New Indicator	New Indicator	New Indicator	New Indicator	R10 000 000 (Quarterly salary bill of suspended officials must not exceed R10 000 000 per quarter)	Q1 - 6,314, 685.78 Q2 - 6 196 706.99 Q3 - 7 291 274.03 Q4 - R6,593,842.88 (Quarterly salary bill of suspended officials per quarter during 2021/2022 financial year)	Suspension list including salary bill	N/A	N/A		Directorate: Corporate Services
KFA 30	GG2.11	Percentage of ward committees with 6 or more ward committee members (excluding ward councillors)	N/A	New Indicator	New Indicator	New Indicator	New Indicator	100% Ward Committee members	94% Ward Committee members	1. Ward committee stipend payment list. 2. Nomination forms/ minutes and attendance register for the co-opted members	1. Ward committee stipend payment list. 2. Nomination forms/ minutes and attendance register for the co-opted members	The establishment of ward committees is still underway. The metro has established 47 of ward committees with only 3 wards outstanding. The new elected ward committee members were inducted and sworn by the Provincial Department of Cooperative Governance and Traditional Affairs according to clusters starting from 01 June 2022 and the last group to be inducted was Mdantsane cluster on 29 and 30 June 2022. Therefore, the newly inducted ward committees will start to receive the monthly stipend in July 2022.		Directorate: Executive Support Services
KFA 30	GG 2.12	Percentage of wards where at least one committee community meeting was held	N/A	New Indicator	New Indicator	New Indicator	New Indicator	100% (1 public meeting convened (Ward 16))	0%	N/A	Ward Public Meetings: Deviated from 100% meetings for 50 Wards to 0% Ward Public meetings. Due to delays on the establishment of Ward Committees.	The Office of the Speaker will request all ward councillors to submit their schedule of meetings as of July 2022, since the limit on gatherings have been lifted. The public meetings will commence in the new financial year.		Directorate: Executive Support Services
KFA 30	GG3.12	Percentage of councillors who have declared their financial interests	N/A	New Indicator	New Indicator	New Indicator	New Indicator	85%	100%	Declaration forms	Councillors did not submit the Declaration of Financial Interests on time.	The Office of the Speaker will develop declaration of financial interests register in ensuring that 25% of new Councillors submit the Declaration of Interest forms on quarterly basis		Directorate: Executive Support Services
KFA 30	GG2.31	Percentage of official complaints responded to through the complaint management system	N/A	New Indicator	New Indicator	New Indicator	New Indicator	100%	100%	Petitions Register	N/A	N/A		Directorate: Executive Support Services

KFA2 HS1.31 5	Number of informal settlements enumerated and classified (in terms of NUSP or equivalent classification)	Informal settlements upgrade	20 Informal settlements enumerated and classified (in terms of NUSP or equivalent classification)	20 Informal settlements enumerated and classified (in terms of NUSP or equivalent classification)	20 Informal settlements enumerated and classified (in terms of NUSP or equivalent classification)	44 Informal settlements enumerated and classified (in terms of NUSP or equivalent classification)	44 Informal settlements enumerated and classified (in terms of NUSP or equivalent classification)	Progress Report signed by HOD	N/A	N/A	Directorate: Human Settlements
KFA2 HS1.32 5	Percentage of informal settlements using a participatory approach to planning or implementing upgrading	Informal settlements upgrade	19% (29 Informal settlements out of 154 known informal settlements in BCMIM)	19% (29 Informal settlements out of 154 known informal settlements in BCMIM)	19% (29 Informal settlements out of 154 known informal settlements in BCMIM)	30% (47 Informal settlements out of 154 known informal settlements)	30% (47 Informal settlements out of 154 known informal settlements)	Progress Report signed by HOD	N/A	N/A	Directorate: Human Settlements
KFA37 HS2.21	Number of rentable residential properties in the subsidy housing market entering the municipal valuation roll	Annual Supplementary Valuation Roll	68	380	68	105	105	Supplementary roll (May and June 2022)	The properties are included in the roll as they get registered in the Deeds Office. Eighty-six (86) Properties in Midantsane East were registered in February 2022 and are included in the June monthly roll. Thirteen (13) in Midantsane CC were registered in March and are included in the roll in May 2022.	No corrective measure required as the properties are included in the roll as they are registered.	Directorate: Finance Services
KFA37 LED 1.11	Percentage of total municipal operating expenditure spent on contracted services physically residing within the municipal area	N/A	New Indicator	New Indicator	New Indicator	80%	92%	Operating Expenditure Report	N/A	N/A	Directorate: Finance Services
KFA37 LED 3.31	Average number of days from the point of award to the award per 50/20 procurement process	N/A	New Indicator	New Indicator	New Indicator	180 days	295.76 days	Quarterly Awards Reports	<ul style="list-style-type: none"> <li>There were delays in the sitting of Bid committees, due the restructuring process (appointment of new bid committees members and allocation of directorates) that took place within the various bid committees.</li> <li>The committees have backlog emanating from the delays that took place during the lockdown era</li> </ul>	The Bid Committees progress/performance is monitored on a weekly basis and is continuously reported to the City Manager.	Directorate: Finance Services
KFA37 LED3.21	Percentage of revenue clearance certificates issued within 10 working days from the time of completed application received	N/A	New Indicator	New Indicator	New Indicator	95%	97.4%	Rates Turnaround summary report	N/A	N/A	Directorate: Finance Services
KFA37 LED 2.11	Percentage of budgeted rates revenue collected	N/A	New Indicator	New Indicator	New Indicator	83.5%	82.7%	BP135 Report	Reluctance by property owners as they do not prioritize the payment of municipal accounts	Enhanced application of credit control measures by reviewing account payments on a monthly basis and restricting and/or blocking electricity purchases for unpaid account. Ensuring that customer queries received on a monthly basis are resolved within the same month to avoid huge back charges.	Directorate: Finance Services

KFA 39   GG 6.11	Percentage of the amount of budget spent on free basic services to indigent households	Free Basic Services to indigent households	6.69%	8%	6.69%	5%	6.6%	General Ledger Expenses for free basic services and operating budget schedule	N/A	N/A	Directorate: Finance Services	
KFA 37   EE2.11	Percentage of household electricity provision allocated as Free Basic Electricity (FBE)	Free Basic Electricity to indigent households	11.25%	12%	11.25%	10%	10.11%	1. BSS12 Billing Statistical Report	N/A	N/A	Directorate: Finance Services	
KFA 37   LED 3.32	Percentage of municipal payments made to service providers who submitted complete forms within 30-days of invoice submission	N/A	90%	New Indicator	New Indicator	100%	99%	Section 71 report	A large number of invoices were submitted for payments and accruals for year-end processing. This has resulted in the Trade Creditors amount increasing significantly from the previous month and this has contributed to an increase in Trade Payment days to 31 days	Institutionalize the process of submitting invoices on time throughout the year so as to decrease year-end accrual and promote efficient creditors payment days within 30 days as legislated by MFMA section 38	Directorate: Finance Services	
<b>BCMMS INDICATORS</b>												
KFA 37   WGC 9(d)	Number of Electricity Smart Meters installed (Business Debtors)	Installation of Smart Meters - CAPEX Support and Maintenance	3 464	6 000	3 464	1 060	272	Meter Register and Status Report	The project progressed well and at end of the second quarter the project was halted hence the deviation.	Once a go-ahead for installation is given, the installation of smart meters for the project will be completed. Arrangements for installations have been made especially for substations.	Directorate: Finance Services	
KFA 37   WGC 9(b)	Number of Electricity and Water Smart Meters installed	Installation of Smart Meters - CAPEX Support and Maintenance	86938	80 000	86 938	12 400	30 454	Meter Register and Status Report	N/A	N/A	Directorate: Finance Services	
KFA 37   WGC 24	Number of kilolitre reduced (physical water losses in terms of system losses)	Water conservation and water demand management	1 486 425 kl	800 000kl	1 486 425 kl	850 000kl	1 083 743kl	Water conservation and water demand management report.	Overachieved due to the increased budget for water conservation and water demand management.	N/A	Directorate: Infrastructure Services	
KFA 3   WGC 22	Total increase in the amount of revenue collected for traffic fines	Collection of traffic fines	R12 504 168.92	R 12 000 000	R12 504 168.92	R 6 500 000	R 12 530 796.35	TCS Road block report and Solar income report	The Department will continue its efforts listed hereunder: The Department currently has the following operations/ measures in place which has contributed to the excellent performance: Daily roadblocks including weekends with the mobile office to collect fines income. Issuing of summonses for summons with SAPS. Securing bulk proxies with outstanding fines. Use of media platforms to advise the public of outstanding fines. Cognizance must be taken that due to the complexity of the indicator the following must still be noted: Every effort is made in terms of notifying offenders of outstanding fines. However, cognizance must be taken that we are still in the process of implementing the highest levels of management took longer than expected.	N/A	Directorate: Public Safety and Emergency Services	
KFA 4   WGC 1	Number of people from employment equity target groups (females) employed in the 3 highest levels of management	Implementation of Employment Equity Plan	3	2	3	3	2	Letter of appointment	The recruitment process for the targeted levels - namely, the 3 highest levels of management took longer than expected.	The Directorate will ensure strict compliance with the EE Act and the Municipality's EE plan when positions are advertised.	Directorate: Corporate Services	

KFA 38	WGC 6	% of a municipality's capital budget spent on capital projects identified in the IDP	N/A	77%	100%	77%	100%	92%	Section 71 Report	Delays in the procurement process.	The City continues to implement intervention measures to improve the City's spending performance. As a tool to ensure that bid committees are submitting reports on the sitting of bid committees to assist in early identification of challenges and poor performance by the committees. The above assists the City Manager to come up with prompt interventions and remedial actions, the following has been implemented as part of the remedial action: a) Continuous restructuring of bid committees to ensure effectiveness and efficiency. Additional members have been appointed to address the problem of non-sitting of committees as a result of meetings failing to meet the required quorum. b) All bid committee members have been taken through formal training in an effort to: i. Improve the turnaround in processing of bids at		Directorate: Finance Services
KFA 37	WGC 7	% revenue Collection Rate as measured in accordance with the MSA performance regulations	Implementation of Revenue Enhancement Strategy and Credit Control Policy	81.63%	85%	81.63%	83.5%	71.39%	Collection Rate Schedule (BP135 – Billing Report)	-During quarter four the municipality implemented credit control and debt collection action and the debt incentive scheme was also extended to customers for them to settle their debt and to benefit from the scheme. The municipality is still implementing punitive water tariffs at a reduced level as from 1 March 2022 and customers in general have not responded favourably by curbing their consumption, therefore this has resulted in increased monthly billing which has resulted in collection rate target of 83.5% not been achieved. In addition to the foregoing customers are still facing economic pressures because of effect that Covid-19 has had on the South African and Local economy. -There has also been an increase in meter tampering which renders any credit control action to be ineffective and those meter tamperers have been submitted to the Revenue Protect Unit for further action.		Directorate: Finance Services	
KFA 39	WGC 14	Credit Rating Maintained at A	Appointment of a Credit Rating Institution	A	A	A	A	A	Credit Rating Report	N/A		Directorate: Finance Services	
KFA 39	WGC 15	Current ratio (Municipality's ability to pay back its Short-term Liabilities (Debt and Payables) with its Short-term Assets (Cash, Inventory, Receivables).	N/A	1.7:1	1.65: 1	1.7:1	1.6:1	1.96:1	Section 71 Report	N/A		Directorate: Finance Services	
KFA 39	WGC 16	Debt to revenue percentage (the extent of Total Borrowings in relation to Total Operating Revenue).	N/A	3%	<45%	3%	Less than 45%	2.64%	Section 71 report	N/A		Directorate: Finance Services	
KFA 39	WGC 17	Cost coverage (ability to meet at least 60% of monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month).	N/A	1.65x fixed operating expenditure	1.2x fixed operating expenditure	1.65x fixed operating expenditure	1.2x fixed operating expenditure	1x fixed operating expenditure	Section 71 report	N/A		Directorate: Finance Services	





# CHAPTER 4

## ORGANISATIONAL DEVELOPMENT PERFORMANCE



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

## INTRODUCTION

BCMM's employees and the skills they bring to the workplace are critical to delivering all services. However, municipal services differ widely regarding skills needs and labour intensity.

The City acknowledges that to meet the demands of service delivery, it needs to evolve and be responsive to changing labour market and individual needs, yet be flexible enough to address skills imbalances and shortages. This requires a properly planned and holistic human resources management and development approach.

Human Resources Management consists of two Departments that provide the following services: Organisational Development, Job Evaluation, Recruitment and Selection, Remuneration and Benefits, Labour Relations, Performance Management, Training and Development, and Employee Safety and Wellness. *T 4.0.1*



# **CHAPTER 4**

## **ORGANISATIONAL PERFORMANCE DEVELOPMENT**

**Component A:  
Introduction to the Municipal Personnel**

## COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

The total number of employees employed is 5,404. Managing municipal personnel is the core responsibility of all Managers, and thus performance must be monitored and managed. The municipality has made efforts to attract and retain suitably qualified staff, which is only sometimes possible.

### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

EMPLOYEES					
DESCRIPTION	YEAR 2020/2021		YEAR 2021/2022		
	EMPLOYEES	APPROVED POSTS	EMPLOYEES	VACANCIES	VACANCIES
Water	298	325	304	21	6.5%
Waste Water (Sanitation)	345	380	327	53	13.9%
Electricity	217	240	210	30	12.5%
Solid Waste Management	723	763	690	73	9.6%
Waste Disposal	41	45	39	6	13.3%
Housing	67	69	65	4	5.8%
Roads Services Engineering Administration	291	314	286	28	8.9%
Transport Services (Bus depot Transport)					
Plan Murp	36	43	36	7	16.3%
Storm water – 12 from	12	12	12	0	0%
Planning (City Plan Arch Survey Land Build)	127	153	122	31	20.2%
Local Economic Development					
Market	81	84	78	6	7.1%
Library Halls Arts and Culture Administration	218	241	215	26	10.8%
Cemeteries	137	146	129	17	11.6%
Child Care	2	3	2	1	33.3%
Pollution Control PC	4	4	4	0	0%
Bid diversity and Other	468	494	430	64	12.9%
Health Inspection	57	61	61	0	0%
Police office and other	725	762	707	55	8.3%
Fire Services	159	169	155	14	8.3%
Disaster management & Animal Licence	6	8	7	1	12.5%
Sport and Recreation Amenities	364	397	365	32	8.1%
Executive and Council	174	189	168	21	11.1%
Financial	559	610	550	60	9.8%
Human Resources	172	182	176	6	3.3%
ICT	39	41	38	3	7.3%
Legal Services Risk Management SCM	90	116	87	29	25.0%
Municipal Manager including Knowledge Management EPMO	62	82	67	15	18.3%
Mechanical Services	78	85	74	11	12.9%
<b>Totals</b>	<b>5,552</b>	<b>6,018</b>	<b>5,404</b>	<b>614</b>	<b>10.2%</b>

T 4.1.1

Note: S57 were never included below, and we have now added an additional column

VACANCY RATE: YEAR 2021/2022			
DESIGNATION	TOTAL APPROVED POSTS	*VACANCIES (TOTAL TIME THAT VACANCIES EXIST USING FULLTIME EQUIVALENTS)	*VACANCIES (AS A PROPORTION OF TOTAL POSTS IN EACH CATEGORY) %
Municipal Manager	1	1	100%
CFO	1	0	0%
S57 - Heads of Directorates	9	1	11.11%
Other Senior Managers (excluding Finance Posts T16 and above)	104	4	14.42%
Other Senior Managers (Finance posts T16 and above)	18	4	22.22%
Police officers	185	14	7.57%
Fire fighters	131	10	7.63%
Senior management: Levels 13 - 15 (excluding Finance Posts) ex 3005-3071	143	24	16.78%
Senior management: Levels 13 - 15 (Finance posts)	22	2	9.09%
Highly skilled supervision: Levels 9 - 12 (excluding Finance posts)	687	84	12.23%
Highly skilled supervision: Levels 9 - 12 (Finance posts)	88	5	5.68%
<b>TOTAL</b>	<b>1,389</b>	<b>160</b>	<b>11.51%</b>

T 4.1.2

TURN-OVER RATE			
DETAILS	2019/2020	2020/2021	2021/2022
Staff establishment as of beginning of Financial Year	5,663	5,552	5,404
Terminations during the financial year	167	276	275
Turn-over rate*	3%	5%	5%

T 4.1.3

\* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year

## COMMENT ON VACANCIES AND TURNOVER

BCMM has an approved Staff Complement of 6,018, and 614 are vacant and funded. Therefore, posts are being advertised timeously. For the year ending June 2022, 184 posts were filled; however, these were internal promotions. Terminations amounted to 275, and reasons and totals are set out below:

Contract Expiry	:	3
Deceased	:	50
Dismissals	:	36
Medical Boarding	:	10
Resignations	:	52
Retirements	:	124

The City Manager and Head of Directorate: Sport, Recreation and Community Development positions were advertised in May 2022, and the recruitment process is underway. T 4.1.4





# **CHAPTER 4**

## **ORGANISATIONAL PERFORMANCE DEVELOPMENT**

### **Component B: Managing the Municipal Workforce**

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Workforce Management is part of the broader organisational management strategy, which seeks to ensure a defined process of accountability and adequate procedures that aim to optimise productivity and reduce risk. Directorates are responsible for managing their workforce and ensuring that their workforce performs all functions. Human Resources provides a support function to line management, enabling them to manage their workforce in compliance with legislation and policies. T 4.2.0

### POLICIES

HR POLICIES AND PLANS				
	NAME OF POLICY	COMPLETED %	REVIEWED %	DATE ADOPTED BY COUNCIL OR COMMENT ON FAILURE
1	Affirmative Action	100%	0%	05 May 1997
2	Attraction and Retention / Scarce Skill Remuneration	100%	50%	Adopted in 2006, replaced by Scarce Skill Policy
3	Code of Conduct for employees	100%	0%	Annexure in the Disciplinary Procedure in the Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC) (Remove)
4	Delegations, Authorisation and Responsibility	0%	0%	
5	Disciplinary Code and Procedures	100%		Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC)
6	Essential Services	0%	0%	Part of the Code of Conduct (remove)
7	Employee Assistance / Wellness	100%	0%	07 October 2005 Still waiting to be reviewed by 30 September 2022
8	Employment Equity	100%	100%	04 April 2019
9	Exit Management	100%	80%	To be included in the revised Recruitment, Selection and Appointment Policy (Remove)
10	Grievance Procedures	100%	0%	Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC)
11	HIV/Aids (Employee Assistance / Wellness Policy)	100%	0%	07 October 2005 Still waiting to be reviewed by 15 October 2022
12	Human Resource and Development	100%	50%	25 January 2019 Awaiting Local Labour Forum
13	Information Technology	100%	0%	26 November 2015
14	Job Evaluation	100%	0%	South African Local Government Association (SALGA) Policy applies.
15	Leave	100%	50%	Awaiting new Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC). Collective Agreement Still being consulted with the relevant parties and once finalized will be submitted to Council for Approval

HR POLICIES AND PLANS				
	NAME OF POLICY	COMPLETED %	REVIEWED %	DATE ADOPTED BY COUNCIL OR COMMENT ON FAILURE
16	Occupational Health and Safety	100%	50%	01 May 2016 Reviewed waiting for council approval
17	Official Housing	100%	0%	
18	Official Journeys	100%	100%	31 May 2016
19	Official transport to attend Funerals	100%	0%	05 May 2005
20	Official Working Hours and Overtime	100%	0%	19 June 2013
21	Organizational Rights	100%	0%	Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC)
22	Payroll Deductions	100%	80%	Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC)
23	Performance Management and Development	100%	50%	21 Jun 2013 Still under review for approval of the Council by February 2023
24	Staff Provisioning Policy	100%	90%	December 2007 Policy to be updated as new Regulations were being implemented by COGTA from 1 July 2022.
25	Remuneration Scales and Allowances	100%	100%	Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC)
26	Relocation costs for new candidates	100%	80%	Included in the revised Recruitment, Selection and Appointment Policy (Remove)
27	Sexual Harassment	100%	0%	Main Collective Agreement of National South African Local Government Bargaining Council (SALGBC)
28	Skills Development	100%	0%	Incorporated in the Human Resource and Development (HRD) Policy approved on 25 January 2019.
29	Smoking	100%	50%	November 2011
30	Scarce Skills	100%	60%	15 May 2010 Still under discussion by relevant stakeholders.
31	Organisational Design Policy & Procedure	100%	100%	Approved Council in 2006
32	Uniforms and Protective Clothing	100%	30%	01 September 2014

*Use name of local policies if different from above and at any other HR policies not listed.*

T 4.2.1

## COMMENT ON WORKFORCE POLICY DEVELOPMENT

All staff-related policies are drafted and tabled for approval by Council before implementation, and their reviews are done annually to ascertain their relevance and effectiveness. The draft policies or policy amendments are consulted with the representative unions in the Local Labour Forum before tabling and approved by Council. The following guidelines are under review: The Scarce Skill Remuneration Policy, Staff Progression Policy, Occupational Health and Safety Policy, Uniform and Protective Clothing Policy, Employee Wellness Policy, Employee Performance Management Policy, Smoking Policy, Substance Abuse Policy and Human Resource Development Policy. T 4.2.1.1

### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

TYPE OF INJURY	NUMBER AND COST OF INJURIES ON DUTY				
	INJURY LEAVE TAKEN (DAYS)	EMPLOYEES USING INJURY LEAVE (NO.)	PROPORTION EMPLOYEES USING SICK LEAVE (%)	AVERAGE INJURY LEAVE PER EMPLOYEE (DAYS)	TOTAL ESTIMATED COST (R'000)
Required basic medical attention only	0	25	100	0	R0
Temporary total disablement	541	121	100%	1.88	R1,975,003.93
Permanent disablement	0	0	0	0	R0
Fatal	0	n/a	n/a	n/a	0
<b>TOTAL</b>	<b>541</b>	<b>146</b>	<b>100%</b>	<b>1.88</b>	<b>R1,975,003.93</b>

T 4.3.1

NUMBER OF DAYS AND COST OF SICK LEAVE (EXCLUDING INJURIES ON DUTY)						
SALARY BAND	TOTAL SICK LEAVE (DAYS)	PROPORTION OF SICK LEAVE WITHOUT MEDICAL CERTIFICATION (%)	EMPLOYEES USING SICK LEAVE (NO.)	TOTAL EMPLOYEES IN POST* (NO.)	*AVERAGE SICK LEAVE PER EMPLOYEES (DAYS)	ESTIMATED COST (R'000)
Lower skilled (Levels 1 - 2)	489	26%	26	513	0.95	257
Skilled (Levels 3 - 5)	28,958	35%	2,022	2,366	12.24	17,366
Highly skilled production (Levels 6 - 8)	14,963	22%	1159	1,481	10.10	14,195
Highly skilled supervision (Levels 9 - 12)	8273	28%	659	707	11.70	13,149
Senior management (Levels 13 - 15)	2593	17%	218	328	7.91	7,416
MM and S57	35	17%	5	9	3.89	156
<b>TOTAL</b>	<b>55,311</b>	<b>24%</b>	<b>4,089</b>	<b>5,404</b>	<b>10.24</b>	<b>52,539</b>

T 4.3.2

\* Number of employees in post at the beginning of the year

\* Average is calculated by taking sick leave in column 2 divided by total employees in column 5

## COMMENT ON INJURY AND SICK LEAVE

### COMMENT ON INJURY

Employee Wellness is a contributing factor towards high productivity levels in an organisation hence BCMM treats the wellness of its employees in a very high regard. Through the Employee Wellness Centre located within the Directorate of Corporate Services BCMM implements Employee Wellness Programs that are focussing on Primary Health-care services including Covid 19 Testing and vaccination, Safety of employees at work as well as all persons at the premises, Psycho-social counselling services for the employees, handling of Compensation for Occupational Injuries and Diseases claims. BCMM continues as a worksite for Covid 19 and Vaccination under the auspices of the Provincial Department of Health Services.

BCMM continues with its Safety Plan which has contributed immensely in the reduction of its Disabling Injury Frequency Rate (DIFR) as at June 2022 at a percentage of 0,74 which is far below the DIFR level of 2.4% which is a national norm.

Covid 19 activities undertaken during 2021/2022 are reflected below:

COVID 19 ACTIVITY		QUANTITY	
Screening		2,800	
Testing		1,393	
Positive cases		417	
Vaccinations:			
	<i>Pfizer</i>	1,896	1,796 Employees 35 Councillors x 3 doses
	<i>J&amp;J</i>	350	285 Employees
	<b>TOTAL</b>	<b>2,246</b>	65 Councillors x 2 doses

### COMMENT ON SICK LEAVE

Sick leave costs for the 2021/2022 financial year is R52,539,957.61 There is an increase as compared to the previous financial year due to various reasons, such as the return of all employees with comorbidity illnesses after the end of the national state of disaster.

We have taken the following steps in trying to control the absenteeism challenge:

- Departmental roadshows by Human Resources to encourage Line Managers and Supervisors to comply with the policy.
- Human resources compiled all absenteeism challenges with possible solutions and communicated them with Office Managers to encourage them to comply/apply the control measures.
- Line Managers are advised to send employees for a second opinion (Municipal Doctor) when observing repeated patterns.
- Disciplinary action was taken against employees submitting fraudulent sick certificates.

Furthermore, Human Resources report quarterly on absenteeism costs and the number of employees taking sick leave for departments to monitor workers' absenteeism strictly. Sick leave remains a serious challenge, and Line Managers are regularly reminded of their obligations in managing sick leave daily. T 4.3.4



NUMBER AND PERIOD OF SUSPENSIONS AS AT 1ST JULY 2021 TO 30<sup>TH</sup> JUNE 2022

NUMBER AND PERIOD OF SUSPENSIONS				
POSITION	NATURE OF ALLEGED MISCONDUCT	SUSPENSION DATE	DETAILS OF DISCIPLINARY ACTION TAKEN OR STATUS OF CASE AND REASONS WHY NOT FINALISED	DATE FINALISED
Horticultural Worker	Fraud, Gross Negligence, Dishonesty and Gross Insubordination	14-Jul-21	The case is still in progress	Pending
Snr Admin Clerk	Fraud, Gross Negligence, Dishonesty and Gross Insubordination	14-Jul-21	The case is still in progress	Pending
Supervisor Finance	Solicited bribery from a member of the public and consumption of alcohol	20-Jul-21	The Prosecutor is awaiting for mandate for Plea Bargaining	Pending
Supervisor Billing Enquires	Fraud, Gross Negligence	19-Jan-22	The case is in progress	Pending
Audit Exception Officer	Fraud, Gross Negligence	19-Jan-22	The case is in progress	Pending
Supervisor Billing Enquiries	Fraud, Gross Negligence	19-Jan-22	The case is in progress	Pending
Coordinator Revenue Management	Fraud, Gross Negligence	19-Jan-22	The case is in progress	Pending
Supervisor Service Centre	Fraud, Gross Negligence	19-Jan-22	The case is in progress	Pending
Accounts Co-ordinator	Fraud, Gross Negligence	19-Jan-22	The case is in progress	Pending
Driver	Misuse of BCMM motor card/fuel card number 708 188 237 087 7811 for JVD 511 EC, Vehicle fleet no. 5698	13- May-22	The case is in progress	Pending
Traffic Warden	<b>Fraud</b>	16-May-22	The case is in progress	pending
Security Guard	<b>Dishonesty</b>	25-May-22	The case is in progress	Pending
Senior Traffic Officer	Dishonesty, Gross negligence and bringing the name of BCMM into disrepute	27-May-22	The case is in progress	Pending

T 4.3.5

DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT			
POSITION	NATURE OF ALLEGED MISCONDUCT AND RAND VALUE OF ANY LOSS TO THE MUNICIPALITY	DISCIPLINARY ACTION TAKEN	DATE FINALISED
ICT Manager	Fraud	Suspended	Pending

T 4.3.6

## COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

The number of suspensions has been reduced, and the suspension bill has decreased to R4,552,076.94.

The reasons for delays in finalising suspensions in the current year range from internal to external circumstances. The Department has devised a strategy to reduce the number of breaks and improve the turnaround time to finalise suspensions. In addition, Labour Relations has developed a management of suspensions matrix tool to guide the institution on which category of misconduct warrants suspensions, what elements of seriousness must be met on each motivation for the suspension, to reduce suspensions and how to manage postponements of cases. T 4.3.7

## 4.4 PERFORMANCE REWARDS

DESIGNATIONS	PERFORMANCE REWARDS BY GENDER				
	BENEFICIARY PROFILE				
	GENDER	TOTAL NUMBER OF EMPLOYEES IN GROUP	NUMBER OF BENEFICIARIES	EXPENDITURE ON REWARDS 2021/2022 (R'000)	PROPORTION OF BENEFICIARIES WITHIN GROUP (%)
Lower skilled (Levels 0-3)	Female	903	0	0	0
	Male	528	0	0	0
Skilled (Levels 4-5)	Female	426	0	0	0
	Male	926	0	0	0
Highly skilled production (levels 6-8)	Female	728	0	0	0
	Male	669	0	0	0
Highly skilled supervision (levels 9-12)	Female	318	0	0	0
	Male	454	0	0	0
Senior management (Levels 13-15)	Female	59	0	0	0
	Male	101	0	0	0
Senior Management (Level 16-20)	Female	32	0	0	0
	Male	78	0	0	0
MM and S57	Female	4	0	0	0
	Male	6	0	0	0
Total		5,232	0	0	0
<i>Has the statutory municipal calculator been used as part of the evaluation process?</i>					No
<i>No performance rewards were paid during the 2021/2022 financial year</i>					

T 4.4.1

**COMMENT ON PERFORMANCE REWARDS**

The cascading of the Employee Performance Management System to all non-section 56 employees still needs to be completed, pending the introduction of an electronic performance management system through a service provider to be appointed. The Electronic Performance Management System, which will be rolled out with the Organisational Culture Change Management Project, is expected to take off in the forthcoming financial year. Performance Rewards form part of the electronic performance management to be effected in the next financial year. T 4.4.1.1



# **CHAPTER 4**

## **ORGANISATIONAL PERFORMANCE DEVELOPMENT**

### **Component C: Capacitating the Municipal Workforce**

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Organisational Training Plan in the form of a Workplace Skills Plan (WSP) 2021/2022 document was developed, consulted with stakeholders within the municipality and submitted to the Local Government Seta for final approval by the cut-off date of 28 April 2021 in line with the Skills Development Act No. 97 of 1998. Development interventions rolled out from there, including the workforce and the unemployed young graduates contributing to the cause of Local Economic Development.

The youth development interventions were composed of Internships, In-service Training or Work Integrated Learning - WIL), and mentorship programmes. With a sponsor in the form of a Conditional Grant disbursed annually from the National Treasury, namely the Infrastructural Skills Development Grant (ISDG), BCMM was able to implement an internship program which capacitates local young and unemployed graduates towards professional registration with their respective statutory professional bodies.

The (ISDG internship program only caters for fields of study falling within the built environment and with professional bodies, which are as follows: Engineering Council of South Africa (ECSA), South African Council for Planners (SACPLAN), South African Council for Property Valuers Profession, (SACPVP), South African Geomatics Council (SAGC) as well as South African Council for Natural Scientist Profession (SACNASP). Forty-eight participants have been engaged in the programme since its inception in 2013, with 29 participants completing it in record time. Out of the 19 remaining participants whose progress had been thwarted by the Covid-19 pandemic, 15 and 4 are due to complete the program by the end of December 2022 and December 2023, respectively. A new intake of interns is underway, with 11 participants already engaged in June 2022. BCMM has benefitted from the program in that it has managed to employ professionals who graduated from the program in various disciplines, including Civil Engineering, Electrical Engineering, Land Survey, Town Planning, Geographic Information Systems

Other Internship Programs focussing on other operational areas of the municipality have also been rolled out with the financial support of the Local Government SETA and BCMM. Thirty-six interns were engaged in the program during the 2021/2022 financial year and are due to complete their program in 2023. BCMM also assists its employees with finances for registration with Further Education Training Colleges and Universities for studies in various fields relevant to its operations. A total of 664 employees were awarded bursaries for registering for part-time studies starting from the Matric, National Certificates, Diploma, Degrees, Honours and Post Graduate Degree levels.

The municipality continues to develop officials affected by the MFMA Minimum Competency Levels Regulations to acquire the competencies prescribed in the applicable Occupational Categories. *T 4.5.0*

## 4.5 SKILLS DEVELOPMENT AND TRAINING

MANAGEMENT LEVEL		GENDER	NO. EMPLOYEES IN POST AS AT 30 JUNE 2021	SKILLS MATRIX															
				NUMBER OF SKILLED EMPLOYEES REQUIRED AND ACTUAL AS AT 30 JUNE 2022				ISDG INTERNS, LGSETA INTERNS				SKILLS PROGRAMMES & OTHER FORMS OF TRAINING – BURSARIES				TOTAL			
				ACTUAL: END OF YEAR 2019/20	ACTUAL: END OF YEAR 2020/21	YEAR 0 TARGET 2021/22	ACTUAL: END OF YEAR 2019/20	ACTUAL: END OF YEAR 2020/21	YEAR 0 TARGET 2021/22	ACTUAL: END OF YEAR 2019/20	ACTUAL: END OF YEAR 2020/21	YEAR 0 TARGET 2021/22	ACTUAL: END OF YEAR 2019/20	ACTUAL: END OF YEAR 2020/21	YEAR 0 TARGET 2021/22	ACTUAL: END OF YEAR 2019/20	ACTUAL: END OF YEAR 2020/21	YEAR 0 TARGET 2021/22	
MM and s57	Female	4	0	0	0	2	0	0	2	0	0	0	0	2	0	0	0	2	2
	Male	6	0	0	0	3	0	0	1	0	1	0	0	1	1	0	0	1	4
Councillors, senior officials and manager	Female	134	0	1	0	19	28	21	27	19	19	70	56	38	38	58	58	58	58
	Male	178	0	2	0	38	41	33	32	20	20	63	75	58	58	58	58	58	58
Technicians and associate professionals*	Female	180	35	23	35	9	8	7	9	9	0	54	40	44	44	44	44	44	44
	Male	329	28	23	30	18	18	30	21	6	6	111	62	54	54	54	54	54	54
Professionals	Female	149	30	32	30	5	19	11	7	6	6	58	58	41	41	41	41	41	41
	Male	155	25	13	27	4	19	6	3	3	3	44	35	34	34	34	34	34	34
Sub total	Female	467	65	56	65	35	78	39	43	25	25	182	156	125	125	125	125	125	125
	Male	668	53	38	57	63	96	69	57	30	30	218	173	150	150	150	150	150	150
<b>Total</b>		<b>1,135</b>	<b>118</b>	<b>94</b>	<b>122</b>	<b>98</b>	<b>133</b>	<b>108</b>	<b>100</b>	<b>55</b>	<b>55</b>	<b>400</b>	<b>329</b>	<b>275</b>	<b>275</b>	<b>275</b>	<b>275</b>	<b>275</b>	<b>275</b>

T 4.5.1

\*Registered with ECSA, SAGC, SACQSP, SACPLAN



FINANCIAL COMPETENCY DEVELOPMENT: PROGRESS REPORT*						
DESCRIPTION	A. TOTAL NUMBER OF OFFICIALS EMPLOYED BY MUNICIPALITY (REGULATION 14(4) (A) AND (C))	B. TOTAL NUMBER OF OFFICIALS EMPLOYED BY MUNICIPAL ENTITIES (REGULATION 14(4) (A) AND (C))	CONSOLIDATED: TOTAL OF A AND B	CONSOLIDATED: ASSESSMENTS COMPLETED FOR A AND B (REGULATION 14(4) (B) AND (D))	CONSOLIDATED: TOTAL NUMBER OF OFFICIALS WHOSE PERFORMANCE AGREEMENTS COMPLY WITH REGULATION 16 (REGULATION 14(4) (F))	CONSOLIDATED: TOTAL NUMBER OF OFFICIALS THAT MEET PRESCRIBED COMPETENCY LEVELS (REGULATION 14(4) (E))
<b>Financial Officials</b>						
<i>Accounting officer</i>	1	1	2	2	2	2
<i>Chief financial officer</i>	1	1	2	2	2	1
<i>Senior managers</i>	7	1	8	8	8	7
<i>Any other financial officials</i>	3	0	3	3	0	2
<b>Supply Chain Management Officials</b>						
<i>Heads of supply chain management units</i>	1	0	1	1	0	0
<i>Supply chain management senior managers</i>	2	0	2	2	0	2
<b>TOTAL</b>	<b>15</b>	<b>3</b>	<b>18</b>	<b>18</b>	<b>12</b>	<b>14</b>

T 4.5.2

1 vacant Accmt. Off. post, 2 officials on MFMP training for MFMA compliance

MANAGEMENT LEVEL	GENDER	EMPLOYEES AS AT THE BEGINNING OF THE FINANCIAL YEAR	ORIGINAL BUDGET AND ACTUAL EXPENDITURE ON SKILLS DEVELOPMENT YEAR 2021/2022 R'000														
			INTERNSHIPS (ISDG & LGSETA)				SKILLS PROGRAMMES & OTHER SHORT COURSES				OTHER FORMS OF TRAINING (BURSARIES) + ADDITIONAL BUDGET				TOTAL		
			ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL			
		NO.															
MM and S57	Female	4	0	0	200	169	0	0	200	169	0	0	200	169			
	Male	6	0	0	200	170	50	45	250	170	50	45	250	170			
Legislators, senior officials and managers	Female	134	0	0	150	100	800	796	950	100	800	796	950	100			
	Male	178	0	0	150	101	800	759	950	101	800	759	950	101			
Professionals	Female	149	2,400	2,398	300	278	750	749	3,450	300	278	749	3,450	300			
	Male	155	2,400	2,230	300	320	750	748	3,450	300	320	748	3,450	300			
Technicians and associate professionals	Female	180	2,700	2,507	300	285	1000	998	4,000	300	285	998	4,000	300			
	Male	329	2,700	2,005	400	344	1000	978	4,100	400	344	978	4,100	400			
Clerks	Female	561	1,952	1,197	250	199	900	850	3,102	250	199	850	3,102	250			
	Male	160	1,952	1,435	300	268	900	954	3,152	300	268	954	3,152	300			
Service and sales workers	Female	424	0	0	200	227	950	937	1,150	200	227	937	1,150	200			
	Male	635	0	0	200	313	950	985	1,150	200	313	985	1,150	200			
Plant and machine operators and assemblers	Female	74	0	0	250	187	1,400	1,315	1,650	250	187	1,315	1,650	250			
	Male	403	0	0	150	108	1,638	1,603	1,788	150	108	1,603	1,788	150			
Elementary occupations	Female	1,003	0	0	650	809	1,600	1,596	2,250	650	809	1,596	2,250	650			
	Male	1,377	0	0	685	810	1,600	1,675	2,285	685	810	1,675	2,285	685			
Sub total	Female	2,529	7,051	6,102	2,300	2,254	7,450	7,235	16,081	2,300	2,254	7,235	16,081	2,300			
	Male	3,243	7,051	5,670	2,385	2,435	7,638	7,747	17,074	2,385	2,435	7,747	17,074	2,385			
<b>TOTAL</b>		<b>5,772</b>	<b>14,102</b>	<b>11,772</b>	<b>4,685</b>	<b>4,689</b>	<b>15,088</b>	<b>14,982</b>	<b>33,875</b>	<b>4,685</b>	<b>4,689</b>	<b>14,982</b>	<b>33,875</b>	<b>4,685</b>			
<i>Budget is inclusive of conditional grant of R10,5 m received from National Treasury augmenting R23,5m from BCMMS coffers to make a total of R34,0 m.</i>																	

T4.5.3

**COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS**

A target of 82% expenditure on the allocated training budget of R 23 575 821,00 sourced from LGSETA and BCMM funding was set up and achieved excessively 99%. A further budgetary allocation of R10,5m from the National Treasury Conditional Grant could not be finished due to the challenges brought about by the Covid 19 pandemic with a balance of approximately R2 million. More effort is being made to have the programme run smoothly as the pandemic has effectively moved away.

In line with Municipal Staff Regulations promulgated in September 2021, all human resource development needs identification efforts, including implementation thereof, are streamlined to align with the regulations to ensure effective implementation. Briefings are held consistently with departments to ensure efficient and effective planning and implementation of development interventions. Assistance continues to be given to officials affected by the MFMA Regulations on minimum competency levels to become competent and comply with the Regulations. The Conditional Grant funding continues to be disbursed annually from National Treasury and becomes handier in our program for local youth development initiatives.

T 4.5.4



# **CHAPTER 4**

## **ORGANISATIONAL PERFORMANCE DEVELOPMENT**

### **Component D: Managing the Municipal Workforce Expenditure**

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### INTRODUCTION TO WORKFORCE EXPENDITURE

BCMM's staff budget for 2021/2022 financial year R2,560,050,000. Expenditure amounted to R2,483,559,000. The national salary increase for staff below S57 level is negotiated by the SALGBC and for the 19/20 financial year the increase was 3.5%. Employee expenditure is closely monitored and controlled each month by respective Line Managers. The Budget office submits monthly reports on any over/under expenditure and Line Managers are required to take the necessary corrective actions in order to be within the budgeted amount.

The Municipality seeks to obtain value for money from the work force expenditure through various control initiatives such as Absenteeism Reduction and fully implementing the Biometric Employee Attendance Control system. Line Managers are required to ensure that employees are productive and are performance driven. BCMM are presently investigating the removal of the Scarce Skills allowance whereby decreasing the expenditure. Overtime is being monitored monthly. A comparison of workforce expenditure (including remuneration of Councillors) over the past 4 financial years is as follows:

FINANCIAL YEAR	BUDGETED AMOUNT	EXPENDITURE	EXPENDITURE PATTERN
2018/2019	R2,117,548,952	R2,152,202,316	Exceeded
2019/2020	R2,309,485,136	R2,302,925,878	Actuals within budget
2020/2021	R2,570,046,740	R2,565,125,374	Actuals within budget
2021/2022	R2,627,095,000	R2,548,242,000	Actuals within budget

(Based on S52 Report. Figure subject to change as BCMM is busy with AFS) T 4.6.0

### COMMENT ON WORKFORCE EXPENDITURE

Expenditure for the 2021/2022 financial year was within budget. Expenditure is monitored monthly, and any deviations are reported to the relevant Heads of Directorates for comment. T 4.6.1.1

NUMBER OF EMPLOYEES WHOSE SALARIES WERE INCREASED DUE TO THEIR POSITIONS BEING UPGRADED		
BENEFICIARIES	GENDER	TOTAL
Lower skilled (Levels 1 - 3)	Female	441
	Male	
Skilled (Levels 4 - 8)	Female	71
	Male	
Highly skilled production (Levels 9 - 13)	Female	78
	Male	
Highly skilled supervision (Levels 14 - 18)	Female	23
	Male	
Senior management (Levels 19 - 23)	Female	8
	Male	
MM and S57	Female	-
	Male	-
<b>TOTAL</b>		<b>621</b>

Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above) T 4.6.2



### Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation

OCCUPATION	NUMBER OF EMPLOYEES	JOB EVALUATION LEVEL	REASON FOR DEVIATION
Archives Clerk	1	5	Employees above the highest notch of the evaluated task grade
Building Inspector	1	10	Employees above the highest notch of the evaluated task grade
Accountant	2	10	Employees above the highest notch of the evaluated task grade
Disaster Management Officer	1	10	Employees above the highest notch of the evaluated task grade
Principal Artisan	5	10	Employees above the highest notch of the evaluated task grade
Office Manager	1	10	Employees above the highest notch of the evaluated task grade
Quantity Surveying Tech.	1	11	Employees above the highest notch of the evaluated task grade
Snr.Dev. Engineering Tech.	1	11	Employees above the highest notch of the evaluated task grade
Network Administrator	1	11	Employees above the highest notch of the evaluated task grade
Curator	1	11	Employees above the highest notch of the evaluated task grade
Technician	4	11	Employees above the highest notch of the evaluated task grade
Chief Technician	1	11	Employees above the highest notch of the evaluated task grade
Senior Accountant	2	11	Employees above the highest notch of the evaluated task grade
Snr Environmental Health Prac.	1	11	Employees above the highest notch of the evaluated task grade
Assistant Manager	1	11	Employees above the highest notch of the evaluated task grade
Vegetation Control Officer	1	12	Employees above the highest notch of the evaluated task grade
Snr Envirmntl Health Pract	5	12	Employees above the highest notch of the evaluated task grade
Snr.Technician Water Systems	1	12	Employees above the highest notch of the evaluated task grade
Engineer Traffic Mngnt Sigage	1	13	Employees above the highest notch of the evaluated task grade
Managers - Finance	2	14	Employees above the highest notch of the evaluated task grade
City Planner	1	14	Employees above the highest notch of the evaluated task grade
Deputy Chief Fire Officer	2	14	Employees above the highest notch of the evaluated task grade
Engineer	1	14	Employees above the highest notch of the evaluated task grade
Programe Mangr Vat Leses Pay	1	16	Employees above the highest notch of the evaluated task grade
Programme Manager:City Plan	1	16	Employees above the highest notch of the evaluated task grade
Manager:Internatinal Gov Rel	1	16	Employees above the highest notch of the evaluated task grade
Manager:Scientific Services	1	16	Employees above the highest notch of the evaluated task grade
Programme Manager:Trafic Eng	1	16	Employees above the highest notch of the evaluated task grade
Driver/Messenger	1	4	Employees above the highest notch of the evaluated task grade
Booking Clerk	2	5	Employees above the highest notch of the evaluated task grade
Meter Reader	6	5	Employees above the highest notch of the evaluated task grade
Data Capturer	1	5	Employees above the highest notch of the evaluated task grade
Storeman	1	5	Employees above the highest notch of the evaluated task grade
Cashier	2	5	Employees above the highest notch of the evaluated task grade
Enquiry Credit Control Clerk	2	5	Employees above the highest notch of the evaluated task grade
Field Officer	2	5	Employees above the highest notch of the evaluated task grade
Trainee Water Serviceman	1	5	Employees above the highest notch of the evaluated task grade

OCCUPATION	NUMBER OF EMPLOYEES	JOB EVALUATION LEVEL	REASON FOR DEVIATION
Senior Records Clerk	1	5	Employees above the highest notch of the evaluated task grade
Clerk	2	5	Employees above the highest notch of the evaluated task grade
Booking Clerk	1	5	Employees above the highest notch of the evaluated task grade
Lifeguard	4	6	Employees above the highest notch of the evaluated task grade
Senior Clerk : Costing	1	6	Employees above the highest notch of the evaluated task grade
Accounts Clerk	1	6	Employees above the highest notch of the evaluated task grade
Accounts Processing Analyst	3	6	Employees above the highest notch of the evaluated task grade
Officer Static Charges	1	6	Employees above the highest notch of the evaluated task grade
Officer System Support	1	6	Employees above the highest notch of the evaluated task grade
Grader Operator	1	6	Employees above the highest notch of the evaluated task grade
Process Clerk	1	6	Employees above the highest notch of the evaluated task grade
Storeman	4	6	Employees above the highest notch of the evaluated task grade
Waste Minimisation Assistant	2	6	Employees above the highest notch of the evaluated task grade
Natis Cashier Clerk	3	6	Employees above the highest notch of the evaluated task grade
Principal Clerk	1	6	Employees above the highest notch of the evaluated task grade
Call Centre Facilitator	8	6	Employees above the highest notch of the evaluated task grade
Senior Clerk	2	7	Employees above the highest notch of the evaluated task grade
Senior Cable Jointer	1	7	Employees above the highest notch of the evaluated task grade
Housing Practitioner	5	7	Employees above the highest notch of the evaluated task grade
Supervisor	1	7	Employees above the highest notch of the evaluated task grade
Sanitation Driver	2	7	Employees above the highest notch of the evaluated task grade
Senior Secretary	1	7	Employees above the highest notch of the evaluated task grade
Senior Cashier	1	7	Employees above the highest notch of the evaluated task grade
Senior Statistics Clerk	1	7	Employees above the highest notch of the evaluated task grade
Administrative Officer	2	8	Employees above the highest notch of the evaluated task grade
Senior Fire Fighter	8	8	Employees above the highest notch of the evaluated task grade
Senior Housing Practitioner	1	8	Employees above the highest notch of the evaluated task grade
Senior Computer Operator	1	8	Employees above the highest notch of the evaluated task grade
Supervisor	1	8	Employees above the highest notch of the evaluated task grade
Traffic Officer	8	8	Employees above the highest notch of the evaluated task grade
Artisan	1	9	Employees above the highest notch of the evaluated task grade
Senior Admin. Officer	1	9	Employees above the highest notch of the evaluated task grade
Cadastral Draughtsperson	1	9	Employees above the highest notch of the evaluated task grade
Administrative Officer	1	9	Employees above the highest notch of the evaluated task grade

*Only employees who are contractual to holder for various contractual reasons will be remunerated above their salary level. T 4.6.3*

EMPLOYEES APPOINTED TO POSTS NOT APPROVED				
DEPARTMENT	LEVEL	DATE OF APPOINTMENT	NO. APPOINTED	REASON FOR APPOINTMENT WHEN NO ESTABLISHED POST EXIST
0	0	0	0	0

T 4.6.4

#### COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE

Regarding the Wage Collective Agreement, employees earning higher than the evaluated grade retained their salaries as they were contractual to holder principle. Employees whose jobs were graded lower also benefitted from the contractual-to-holder principle. T 4.6.5

#### DISCLOSURE OF FINANCIAL INTERESTS

As part of standard management practices geared toward promoting compliance with relevant and applicable legislation, City employees and Councillors disclosed their financial interests.

Refer to Appendix J: Disclosures. T4.6.6

# CHAPTER 5

## FINANCIAL PERFORMANCE



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

## CHAPTER 5 INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

The City has a credit rating of A1(za) (Short Term) and A(za) (Long Term) together with a low gearing ratio, thus enabling the City to borrow capital to fund its revenue-generating infrastructure. However, due to weak economic performance and a weak collection rate, the process for additional loans is undertaken with caution.

The City has implemented Government Gazette No. 42514, issued on 7 June 2019, “Municipal Cost Containment Regulations”, to contain costs. It could contain costs amongst discretionary expenditure items such as consultancy services, domestic and foreign travel, catering and refreshments and conferences.

Buffalo City Metropolitan Municipality’s finances have declined. Pressure on the collection of outstanding debtors negatively impacts the growth trend of the City’s cash and cash equivalent balance. *T 5.0.1*





# **CHAPTER 5**

## **FINANCIAL PERFORMANCE**

### **Component A:**

### **Statements of Financial Performance**

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

**Note: Statements of Revenue Collection Performance by vote and by source are included at Appendix K.**

The financial statements are prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (No. 56 of 2003). The statements are based upon appropriate accounting policies consistently applied and supported by reasonable, prudent judgments and estimates.

The financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement unless specified otherwise. The financial statements present the state of affairs of the City, its performance against its budget, its management of revenue, expenditure, assets and liabilities and its financial position at the end of the financial year. The annual financial statements are prepared on the basis that the municipality is a going concern and has neither the intention nor the need to liquidate or materially scale down its operations.

Table 5.1.1 below presents the statement of comparison of budget and actual amounts for the 2021/2022 financial year. The statement of financial performance is presented using MFMA classification, which is revenue by source and expenditure by type.

A deficit of R0.233 billion was incurred for the year under review. This reflects an unfavourable variance of R0.221 billion compared to the budgeted deficit of R0.454 billion.

The unfavourable revenue variance of R0.118 billion was due to the following factors:

- a. Property rates revenue: total revenue realised amounted to R1.734 billion, which was R0.101 billion below the budgeted amount of R1.835 billion.
- b. Transfers recognised – operational: total revenue realised was R1.10 billion, which was R0.343 billion below the budgeted amount of R1.443 billion.
- c. The Metro's total operating expenditure was lower than the anticipated budget. The largest contributors to this variance of R0.339 billion are as follows:
- d. Depreciation and asset impairment: amounted to R1.570 billion, which was R0.144 billion below the budgeted expenditure of R1.714 billion.
- e. Transfers and grants: amounted to R0.127 billion, which was R0.024 billion below the budgeted expenditure of R0.151 billion.
- f. Other expenditures amounted to R1.205 billion, which was R0.324 billion below the budgeted expenditure of R1.529 billion.

The statement of financial position for 2021/2022 reflects a favourable position as the Metro has excess assets over liabilities resulting in a net worth of R25.879 billion. The value of the municipality's total assets is R29.124 billion, which comprises current assets of R3.453 billion and non-current assets amounting to R25.671 billion. On the other hand, the municipality's total liabilities value R3.245 billion, including current liabilities of R2.168 billion and non-current liabilities amounting to R1.077 billion.

The long-term loans comprise R0.188 billion, a decrease of R0.045 billion on balance at the beginning of the financial year. The Institution is in an enviable position of having access to additional long-term loan facilities to invest in replacing infrastructure assets.

The Metro has a strong cash and cash equivalent and can meet its immediate obligations. However, the stagnant revenue base threatens the City's cash position. As a result, the City has adopted an aggressive Revenue Enhancement Strategy, which includes revenue generation, the accuracy of meter readings, regular supplementary valuations, and ensuring all residents receive a correct bill that the Metro has rendered, thereby contributing to the confidence of the consumers.

T 5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	2021/2022						2020/2021								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
R thousands	Original Budget	Budget Adjustments (i.l.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.l.o. s31 of the MFMA)	Virement (i.l.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
<b>Financial Performance</b>															
Property rates	1 834 764	-	1 834 764			1 834 764	1 733 914		(100 850)	94,5%	94,5%				1 591 520
Service charges	3 978 391	4 669	3 983 060			3 983 060	4 312 993		329 933	108,3%	108,4%				3 869 644
Investment revenue	36 490	(5 754)	30 736			30 736	33 086		2 350	107,6%	90,7%				41 289
Transfers recognised - operational	1 301 395	141 811	1 443 206			1 443 206	1 099 887		(343 320)	76,2%	84,5%				1 248 804
Other own revenue	1 083 071	3 216	1 086 287			1 086 287	1 069 712		(16 575)	98,5%	96,8%				967 706
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>8 234 112</b>	<b>143 941</b>	<b>8 378 053</b>			<b>8 378 053</b>	<b>8 249 591</b>		<b>(128 462)</b>	<b>98,5%</b>	<b>100,2%</b>				<b>7 738 963</b>
Employee costs	2 536 210	6 593	2 542 803			2 542 803	2 536 403		(6 400)	99,7%	100,0%				2 539 080
Remuneration of councillors	76 550	(11 505)	65 045			65 045	64 683		(362)	99,4%	84,5%				63 813
Debt impairment	871 973	349 747	1 221 720			1 221 720	1 385 422	163 702	163 702	113,4%	158,9%				911 741
Depreciation & asset impairment	649 173	1 064 907	1 714 079			1 714 079	1 569 794		(144 285)	91,6%	241,8%				1 388 864
Finance charges	59 936	(39 248)	20 688			20 688	20 684		(4)	100,0%	34,5%				25 757
Materials and bulk purchases	2 446 376	(150 498)	2 295 878			2 295 878	2 291 433		(4 445)	99,8%	93,7%				1 959 266
Transfers and grants	161 059	(10 127)	150 932			150 932	127 078		(23 854)	84,2%	78,9%				104 708
Other expenditure	1 430 469	98 831	1 529 300			1 529 300	1 205 573		(323 727)	78,8%	84,3%				1 214 344
<b>Total Expenditure</b>	<b>8 231 745</b>	<b>1 308 702</b>	<b>9 540 447</b>			<b>9 540 447</b>	<b>9 201 071</b>	<b>163 702</b>	<b>(339 376)</b>	<b>96,4%</b>	<b>111,8%</b>				<b>8 207 573</b>
<b>Surplus/(Deficit)</b>	<b>2 367</b>	<b>(1 164 761)</b>	<b>(1 162 394)</b>			<b>(1 162 394)</b>	<b>(951 480)</b>		<b>210 914</b>	<b>81,9%</b>	<b>-40199,2%</b>				<b>(468 610)</b>
Transfers recognised - capital	733 699	(25 239)	708 459			708 459	686 434		(22 025)	96,9%	93,6%				1 065 032
Contributions recognised - capital & contributed assets	-	-	-			-	2 495		2 495	0,0%	0,0%				14 979
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>736 066</b>	<b>(1 190 000)</b>	<b>(453 934)</b>			<b>(453 934)</b>	<b>(262 551)</b>		<b>191 384</b>	<b>57,8%</b>	<b>-35,7%</b>				<b>611 401</b>
Taxation	-	-	-			-	-		-	0,0%	0,0%				-
Share of surplus/ (deficit) of associate	-	-	-			-	29 869		29 869	0,0%	0,0%				(26 629)
<b>Surplus/(Deficit) for the year</b>	<b>736 066</b>	<b>(1 190 000)</b>	<b>(453 934)</b>			<b>(453 934)</b>	<b>(232 682)</b>		<b>221 253</b>	<b>51,3%</b>	<b>-31,6%</b>				<b>584 773</b>
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>															
Transfers recognised - capital	732 499	(25 239)	707 259			707 259	624 464		(82 796)	88,3%	85,3%				970 986
Public contributions & donations	-	-	-			-	-		-	0,0%	0,0%				-
Borrowing	369 714	(334 403)	35 311			35 311	11 727		(23 584)	0,0%	3,2%				3 079
Internally generated funds	701 379	154 312	855 691			855 691	772 324		(83 366)	90,3%	110,1%				617 287
<b>Total sources of capital funds</b>	<b>1 803 592</b>	<b>(205 331)</b>	<b>1 598 261</b>			<b>1 598 261</b>	<b>1 408 515</b>		<b>(189 746)</b>	<b>88,1%</b>	<b>78,1%</b>				<b>1 591 352</b>
<b>Cash flows</b>															
Net cash from (used) operating	1 422 081	226 633	1 648 734			1 648 734	1 064 221		(584 513)	64,5%	74,8%				1 467 295
Net cash from (used) investing	(1 803 592)	205 331	(1 598 261)			(1 598 261)	(1 466 981)		131 280	91,8%	81,3%				(1 641 203)
Net cash from (used) financing	318 822	(330 352)	(11 530)			(11 530)	(45 191)		(33 660)	391,9%	-14,2%				(54 396)
<b>Cash/cash equivalents at the year end</b>	<b>1 310 917</b>	<b>103 785</b>	<b>1 414 702</b>			<b>1 414 702</b>	<b>697 457</b>		<b>(717 245)</b>	<b>49,3%</b>	<b>53,2%</b>				<b>1 145 407</b>

T 5.1.1

Financial Performance of Operational Services						
Description	R '000					
	2020/2021	2021/2022			2021/2022 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	1 208 253	725 390	1 322 914	1 223 162	40,70%	-8,16%
Waste Water (Sanitation)	410 269	352 025	428 598	496 463	29,09%	13,67%
Electricity	2 258 868	2 809 519	2 435 657	2 778 199	-1,13%	12,33%
Waste Management	463 213	416 603	525 377	526 106	20,81%	0,14%
Housing	44 176	147 616	253 764	48 283	-205,73%	-425,58%
Component A: sub-total	4 384 779	4 451 152	4 966 311	5 072 213	12,24%	2,09%
Waste Water (Stormwater Drainage)	0	0	0	0	0,00%	0,00%
Roads	754 325	476 835	1 239 383	863 255	44,76%	-43,57%
PIU & Construction	48 115	40 622	29 927	29 927	-35,74%	0,00%
Transport	122 795	84 071	67 205	97 850	14,08%	31,32%
Component B: sub-total	925 235	601 528	1 336 515	991 031	39,30%	-34,86%
Planning	92 571	83 416	169 422	86 402	3,46%	-96,09%
Local Economic Development	166 256	297 331	324 032	184 332	-61,30%	-75,79%
Component B: sub-total	258 826	380 746	493 455	270 733	-40,64%	-82,27%
Libraries, Archives, Museums, Galleries, Community Facilities etc	153 529	157 589	194 538	190 474	17,26%	-2,13%
Cemeteries and Crematoriums	94 083	87 941	90 674	90 654	2,99%	-0,02%
Child Care, Aged Care, Social Programmes	0	0	0	0	0,00%	0,00%
Component C: sub-total	247 612	245 530	285 211	281 128	12,66%	-1,45%
Pollution Control	0	0	0	0	0,00%	0,00%
Bio-Diversity, Landscape and Other	187 526	230 029	208 374	208 615	-10,26%	0,12%
Component E: Environmental Protection - sub-total	187 526	230 029	208 374	208 615	-10,26%	0,12%
Clinics	0	0	0	0	0,00%	0,00%
Ambulance Service	0	0	0	0	0,00%	0,00%
Health Inspection, Food and Abattoir Licensing and Inspection	44 579	42 927	49 301	49 301	12,93%	0,00%
Component F: Health - sub-total	44 579	42 927	49 301	49 301	12,93%	0,00%
Traffic Services & Law Enforcement	315 060	336 251	321 397	315 567	-6,55%	-1,85%
Fire	153 091	125 667	173 854	178 929	29,77%	2,84%
Other ( Disaster Management, Animal Licencing and Control etc	5 190	5 797	5 303	5 303	-9,32%	0,00%
Component G: Security and Safety - sub-total	473 341	467 715	500 554	499 799	6,42%	-0,15%
Sport and Recreation	111 786	124 462	98 389	100 951	-23,29%	2,54%
Component H: Sport and Recreation - sub-total	111 786	124 462	98 389	100 951	-23,29%	2,54%
Executive and Council	405 158	389 571	382 869	381 364	-2,15%	-0,39%
Financial Services	605 038	831 804	727 429	752 638	-10,52%	3,35%
Human Resources Services	174 504	120 895	152 107	149 775	19,28%	-1,56%
Information and Communication Technology	77 754	105 111	102 598	99 144	-6,02%	-3,48%
Property, Legal, Risk Management and Procurement Services	229 364	158 243	156 373	212 022	25,36%	26,25%
Component I: Policy Offices and Other sub-total	1 491 818	1 605 624	1 521 376	1 594 944	-0,67%	4,61%
Other	82 070	82 030	80 961	132 356	38,02%	38,83%
Component J: Other sub-total	82 070	82 030	80 961	132 356	38,02%	38,83%
<b>Total Expenditure</b>	<b>8 207 573</b>	<b>8 231 745</b>	<b>9 540 447</b>	<b>9 201 071</b>	<b>10,53%</b>	<b>-3,69%</b>
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						
						T 5.1.2

## COMMENT ON FINANCIAL PERFORMANCE

### COMMENTS ON MATERIAL VARIANCES (SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS FINAL BUDGET)

#### REVENUE BY SOURCE

##### Transfers recognised – operational

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

#### EXPENDITURE BY TYPE

##### Debt Impairment

The increase in billed debtors from 2021 has resulted in a commensurate increase in non-cash expenditures, such as the contribution to debt impairment.

##### Transfers and grants

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

##### Other Expenditure

The variance is mainly caused by expenditure for the Human Settlement Development Grant (HSDG) disclosed in GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability. However, in terms of GRAP 109, this is only disclosed in the statement of financial position.

##### Share of surplus/ (deficit) of associate

The East London Industrial Development Zone (ELIDZ) realised a surplus at 26% share price held by Buffalo City Metropolitan Municipality, resulting in R29,898,763 surpluses for the year ended June 2022.

##### Surplus/(Deficit) for the year

The increase in billed debtors from 2021 has resulted in a commensurate increase in non-cash expenditures, such as the contribution to debt impairment and depreciation.

##### Contributions recognised - capital & contributed assets

Donated electricity assets and furniture and equipment for Traffic Department and Library

## CAPITAL EXPENDITURE AND FUNDS SOURCES

### Transfers recognised - the capital

variance results from reclaimed vat; the actuals reported are vat exclusive. Capital is R1.465 billion inclusive of vat.

### Borrowing

The Metro had initially budgeted for the loan funding of the Reeston Tunnel project. However, delays in finalising the financing contractual arrangements, this in turn, affected the finalisation of the project tender process timeously.

## CASH FLOWS

### Net cash from (used) operating

The variance is mainly due to underperformance in the sale of goods and services for 2021/2022. Factors contributing to this include the knockoff impact of Covid 19 and increased unemployment. This continues to hamper the collection of revenue for the City.

### Net cash from (used) financing

The new loan facility's drawdown did not materialise in 2021/2022 R 35 million. As a result, the facility has been allocated to the 2022/2023 MTREF. As a result, the budgeted capital repayments align with the 2021/2022 financial year, with actual repayments of R45 million.



### Cash/cash equivalents at the year-end

The City's City's' collection rate decreased in the year under review. However, expenditure continued to increase, specifically capital expenditure, thus dipping into the invested reserves. T5.1.3

## 5.2 GRANTS

### INTRODUCTION TO TOTAL OPERATING TRANSFERS AND GRANTS

The grant performance table below provides a summary of operating transfers and grants. The operating transfers and grants performance total R1.099 billion, which is 76% of the budget of R1.443 billion.

Operating Grant Performance						
Description	R' 000					
	2020/2021	2021/2022			2021/2022 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	<b>1 179 968</b>	<b>1 016 016</b>	<b>1 038 324</b>	<b>1 018 203</b>	<b>0%</b>	<b>-2%</b>
Equitable share	1 053 614	936 811	936 811	936 811	0%	0%
Infrastructure Skills Development	7 172	10 350	10 350	8 183	-26%	-26%
Finance Management	1 000	1 000	924	924	-8%	0%
Expanded Public Works Programme Inc	8 449	7 300	7 300	7 300	0%	0%
Urban Settlement Development	108 134	44 741	49 133	49 063	9%	0%
Public Transport Network Grant	733	-	-	-	0%	0%
Neighbourhood Development Grant	-	-	19 617	2 389	100%	-721%
Informal Settlement Upgrading Partnership Grant	-	6 873	5 248	4 592	-50%	-14%
Programme and Project Preparation Support Grant	-	8 941	8 941	8 941	0%	0%
Integrated City Development Grant	866	-	-	-	0%	0%
<b>Provincial Government:</b>	<b>24 640</b>	<b>114 952</b>	<b>220 686</b>	<b>20 006</b>	<b>-475%</b>	<b>-1003%</b>
Library Subsidy	15 870	15 870	15 870	15 870	0%	0%
Dept of Human Settlement	-	-	-	-	0%	0%
DEA - Waste Management (BCMDA)	5 841	-	-	-	0%	0%
Office of the Premier	2 929	-	-	-	0%	0%
PG EC - Seta Grant	1 003	-	-	4 136	0%	0%
Human Settlement Development Grant	-	99 082	204 816	-	0%	0%
<b>District Municipality:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
State Health-Environmental	-	-	-	-	-	-
<b>Other grant providers:</b>	<b>44 196</b>	<b>170 427</b>	<b>184 197</b>	<b>61 678</b>	<b>-176%</b>	<b>-199%</b>
Parent Municipality	43 559	133 837	160 541	42 574	0%	0%
Salaïda/Gavle	442	-	381	191	100%	-99%
Glasgow	-	-	-	-	0%	0%
City of Oldenburg	-	-	-	-	0%	0%
European Union - BCMDA	-	36 568	15 505	14 472	0%	0%
LG SETA Grant - BCMDA	42	22	7 769	38	0%	0%
NDPG GRANT	154	-	-	4 403	0%	0%
<b>Total Operating Transfers and Grants</b>	<b>1 248 804</b>	<b>1 301 395</b>	<b>1 443 206</b>	<b>1 099 887</b>	<b>-18%</b>	<b>-31%</b>

*Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national T 5.2.1*

## INTRODUCTION TO TOTAL CAPITAL TRANSFERS AND GRANTS

The grant performance table below provides a summary of capital transfers and grants. The capital transfers and grants performance total R0.686 billion, which is 97% of R0.708 billion.

Capital Grant Performance						
Description	R' 000					
	2020/2021	2021/2022			2021/2022 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Capital Transfers and Grants</b>						
<b>National Government:</b>	<b>1 065 032</b>	<b>732 499</b>	<b>707 259</b>	<b>686 434</b>	<b>-7%</b>	<b>-3%</b>
Integrated National Electrification Programme	–	–	–	–	0%	0%
Electricity Demand Side Management	6 300	9 000	9 000	8 997	0%	0%
Infrastructure Skills Development	89	150	150	131	0%	0%
Finance Management	–	–	76	76	0%	0%
Urban Settlement Development	969 158	454 964	450 572	433 550	-5%	-4%
Public Transport Network Grant	77 485	–	–	–	0%	0%
Integrated City Development Grant	2 020	–	–	–	0%	0%
Informal Settlements Upgrading Partnership Grant	–	259 385	233 010	230 197	-13%	-1%
Neighbourhood Development Partnership Grant	9 981	9 000	13 964	12 998	0%	0%
Buffalo City Metro Transport (BCMET) Funding	–	–	487	485	0%	0%
Other transfers/grants [insert description]						
<b>Provincial Government:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Local Govt & Traditional Affairs	–	–	–	–	0%	0%
Local Govt & Traditional Affairs	–	–	–	–	0%	0%
Department of Public Works	–	–	–	–	0%	0%
Other transfers/grants [insert description]						
<b>District Municipality:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>
[insert description]						
<b>Other grant providers:</b>	<b>–</b>	<b>1 200</b>	<b>1 200</b>	<b>–</b>	<b>0%</b>	<b>0%</b>
Parent Municipality	–	1 200	1 200	–	0%	0%
BCMDA	–	–	–	–	0%	0%
<b>Total Capital Transfers and Grants</b>	<b>1 065 032</b>	<b>733 699</b>	<b>708 459</b>	<b>686 434</b>	<b>-7%</b>	<b>-3%</b>

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national T 5.2.1

## COMMENT ON TRANSFERS AND GRANTS

**Note:** For Urban Settlement Development Grant (USDG), see T5.8.3. For other conditional transfers, including Neighborhood Development Partnership Grant (NDPG); Public Transport Infrastructure and Systems Grant (PITS), see Appendix L.

### Finance Management Grant

To promote and support financial management reforms by building municipalities' capacity to implement the Municipal Finance Management Act (MFMA).

In the 2021/2022 financial year, the Metro had eight (8) interns serving in the Municipal Finance Management Programme (MFMP). The allocated grant funding of R1 million was fully spent by appointing interns that helped in the MFMP; furthermore, the funding was utilised to support the training of municipal officials and interns in financial management.

### Infrastructure Skills Development Grant

To strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure by increasing the pool of skills available and facilitating lifelong learning and the transfer of knowledge to municipalities. To sustain infrastructure-related capacity in local government.

The Metro spent 77% (R8.31 million) of its 2021/2022 ISDG adjusted budget of R10.50 million in the year under review. The contributing factor towards the underspending of R2.19 million on ISDG is due to the following:

- i. Delays in completion of the ISDG Program by existing interns due to the Covid 19 Pandemic.
- ii. Delays in the appointment of the new intake of interns whilst waiting for others to complete the program.
- iii. Lack of relevant and effective development interventions due to Covid 19 also resulted in low expenditure.

### **Expanded Public Works Programme**

To incentivise municipalities to expand work creation efforts through labour-intensive delivery methods in compliance with the EPWP guidelines. To improve the quality of life of poor people and increase social stability through engaging the unemployed in productive activities.

The grant funding of R7.30 million was fully spent to incentivise the following EPWP IG projects:

1. **Buffalo City Call 2 Action for Good Green Deeds Support:** Public Private Partnership Programme implemented with Border Kei Chamber of Business targeting East London coastal areas and West Bank Industrial precinct.
2. **Buffalo City Revitalization Programme:** A social sector programme that provides psycho-social support to school learners, including out-of-school unemployed youth, through a range of thematic programmes, e.g. career guidance and development, sports coaching, drama, theatre and video and film production, including performance.
3. **Data capturers & administrator's support programme:** Provide administrative and EPWP Data Management Services to all EPWP Projects implemented by BCMM.
4. **Community-based childcare support programme:** The programme is an Early Childhood Development Support Programme targeting informal ECD Centres and practitioners with no formal training and preparing and equipping them with the required training and support to run ECDC effectively and efficiently.
5. **Women and Youth in Agriculture Project:** To create a socio-economic viable and sustainable youth and women empowerment.
6. **Survey to Service:** To create a socio-economic viable and sustainable youth.

### **Programme and Project Preparation Support Grant (PPPSG)**

To support metropolitan municipalities to develop a pipeline of investment-ready capital programmes and projects through establishing and institutionalising an effective and efficient programme and project preparation system and allocating a growing level of municipal resources to preparation activities. The Metro spent 100% R8.41 million of its 2021/2022 PPPSG budget in the year under review.

### **Urban Settlement Development Grant**

To supplement the capital revenue of metropolitan municipalities to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development. To provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading informal settlements.

The Metro spent 96% (R477.91 million) of its 2021/2022 USDG budget of R499.71 million in the year under review.

### **Informal Settlement Upgrading Partnership Grant**

To provide funding for the problematic inclusive and municipality-wide approach to upgrading informal settlements. The Metro spent 99% (R234.79 million) of its 2021/2022 ISUPG adjusted budget of R238.26 million in the year under review.

### **Neighbourhood Development Partnership Grant**

To plan, catalyse, and invest in targeted locations to attract and sustain third-party capital investments aimed at spatial transformation, improving the quality of life, and access to opportunities for residents in South Africa's under-served neighbourhoods, generally townships.

The Metro spent 46% (R15.39 million) of its 2021/2022 NDPG adjusted budget of R33.581 million in the year under review. Low expenditure can be attributed to the fact that Additional funding of R20.58 million was made available through the special City Public Employment Programmed (PEP) window of the Neighbourhood Partnership Development Grant and was appropriated into the budget in February 2022 during the mid-year budget adjustment process which has contributed to the low expenditure, as outstanding logistics that included the memorandums of understanding with the implementing partners, Buffalo City Metropolitan Development Agency (BCMDA) and Border-Kei Chamber of Business (BKCOB) needed to be finalised first.

### Energy Efficiency Demand Side Management Grant

To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management (EEDSM) initiatives within the municipal infrastructure to reduce electricity consumption and improve energy efficiency.

The Metro spent 100% (R 8.99 million) of its 2021/2022 EEDSMG budget of R9 million in the year under review. T 5.2.2

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2020/2021	Actual Grant 2021/2022	Year 2021/2022 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
<b>Parastatals</b>						
Department of Human Settlements	71 283	34 274	0	N/A	0	The creation of sustainable and integrated human settlements that enable an improved quality of household life and access to basic services
<b>Foreign Governments/Development Aid Agencies</b>						
Salaida/ Gavle	442	442	0	N/A	0	An inter-governmental agreement aimed at poverty alleviation and sustained development.
Library Subsidy	15 870	15 870	0	N/A	0	To transform urban and rural community library infrastructure, facilities and services
Local Government Sector Education & Training Authority Fund (SETA)	2 929	4 136	0	N/A	0	The key focus must be to address scarce and critical skills through programmes that are designed to address needs which include such skills as work integrated learning.
<i>Provide a comprehensive response to this schedule</i>						T 5.2.3

## COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES

### Housing - Human Settlement Development Grant

The grant is utilized for the construction of top structures (construction of the dwelling except for internal services infrastructure) for human settlement developments.

All projects in the approved business plan must be aligned with the integrated development plan (IDP), the spatial development framework of municipalities, and the built environment performance plan (BEPP) for metropolitan municipalities. The provincial business plans must reflect relevant allocations, targets and outputs as agreed upon and approved by the respective municipalities.

### Salaida/ Gavle

The partnership between Sweden and Buffalo City Metropolitan Municipality was formed to strengthen local democracy and improve competence and capacity among the parties in their developmental role as service providers through mutual knowledge transfer and promote economic growth.

### Local Government Sector Education & Training Authority Fund (SETA)

The Skills Development Levies Act informs this grant; the municipality must pay 1% of the workers' pay to the skills development levy. The municipality gets back some of the money from SETA as a refund if they train their workers. Funding is used to fund the education and training programmes in the Workplace Skills Plan (WSP) and Annual Training Report (ATR) of SETA.

### Library Subsidy

The City has an agreement with the Department of Sports, Recreation, Arts & Culture (DSRAC) for the running of the libraries within the jurisdiction of Buffalo City Metropolitan Municipality. Therefore the grant is transferred to the City to fund the operations of the libraries.

#### Application of rollover on conditional grants

BCMM applied to National Treasury for the rollover of R43.47 million on the following 2020/2021 unspent grant:

1. Urban Settlement Development Grant: R21.79 million
2. Informal Settlement Upgrading Partnership Grant: R3.47 million
3. Neighbourhood Development Partnership Grant (Capital): R2 thousand
4. Neighbourhood Development Partnership Grant (Public Employment Programme): R18.19 million

T 5.2.4

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

BCMM has two asset management divisions within the Finance Directorate that are both responsible for the management of Assets, being;

- Asset Reporting and Insurance division and;
- Corporate Asset Management Division

Both divisions liaise with asset custodians (user Departments) to ensure accurate asset reporting, adequate insurance and full asset management of all assets owned by the Council.

The staff complement for the asset reporting section is 21 staff members, and 15 for the Corporate Asset Management division delegated to the General Manager Corporate Asset Management under the direct supervision of the Chief Finance Officer. The Corporate Asset Management division is a newly established section. It has yet to be filled with staff personnel because of the moratorium, and all the posts have been submitted for Job evaluation processes to ensure proper task grades are used.

All directorates within BCMM have each delegated two individuals per division to assist with assets-related issues. These staff members have been trained on unbundling of assets and asset capitalisation.

All staff members in Asset Reporting and Insurance have been trained in basic asset management and asset capitalisation, and they all possess the necessary qualifications.

A Full Asset Management training is in progress to ensure that staff is fully capacitated in implementing the new ERP system and SOPs aligned to GRAP and CIDMS.

BCMM is currently using the approved Movable Asset Management Policy and Immovable Asset Policy. Both policies are aligned with GRAP standards and are reviewed when necessary to ensure compliance with the changes in legislation and regulations. These approved policies, amongst other things, outline the following key elements but are not limited:

- Roles and responsibilities
- Classification of assets
- Accounting for property, plant and equipment
- Accounting policy applicable to each class of assets
- Annual updating of the asset registers
- Depreciation methods per each class of assets



BCMM is developing a Fully Integrated Asset Management System to ensure that all council assets are accounted for in one system that is fully integrated with the main financial management systems and other sub-systems that other Departments use to manage the Municipal assets. This will further enhance the capacity of this Department and influence the amendment of the existing policies together with the organogram. T 5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2021/2022				
<b>Asset 1</b>				
Name	Property, Plant, Equipment			
Description	Roads Provision			
Asset Type	Roads			
Key Staff Involved				
Staff Responsibilities				
	2018/2019	2019/2020	2020/2021	2021/2022
Asset Value	157 619 365	129 387 029	75 310 085	82 367 822
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				
<b>Asset 2</b>				
Name	Property, Plant, Equipment			
Description	Bulk Electricity Provision			
Asset Type	Electricity			
Key Staff Involved				
Staff Responsibilities				
	2018/2019	2019/2020	2020/2021	2021/2022
Asset Value	58 800 000	93 637 583	87 376 595	91 684 280
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				
<b>Asset 3</b>				
Name	Property, Plant, Equipment			
Description	Smart Metering Solutions - Water and Electricity			
Asset Type	Water and Electricity Meters			
Key Staff Involved				
Staff Responsibilities				
	2018/2019	2019/2020	2020/2021	2021/2022
Asset Value	20 052 560	59 858 342	66 393 518	186 155 884
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				

T 5.3.2

## COMMENT ON ASSET MANAGEMENT

The negative economic conditions put a lot of pressure on the ageing municipal infrastructure assets due to repairs, and maintenance needs competing with other immediate service delivery needs. This poses a threat to the sustainability of the City's infrastructure assets, especially the underground assets.

Even though asset creation and management continue to be a key focus for the City, as it is the area from which services are delivered to the inhabitants of the Municipality and, subsequently, the primary area of revenue generation, it becomes difficult for the City with the available and very limited financial resources.

User Directorates within the City are responsible for the acquisition, management, control, safeguarding and disposal of all municipal assets under their control in line with the Asset Disposal policies of the City. Corporate Asset Management Department is responsible for coordinating the Asset Management function to assist the City in maintaining a complete asset register, in compliance with the requirements of the MFMA 56 of 2003.

Regarding the Asset Disposal Policy, municipal user directorates must identify assets no longer needed to deliver minimum municipal services and recommend disposal to the approved Disposal Committee.

A service provider has been appointed to assist with developing a fully integrated and GRAP-compliant ERP asset management system, which includes reviewing and updating existing asset management policies and asset maintenance plans.

In deciding on the projects to implement, the relevant Buffalo City Metropolitan Municipality user Directorates undertake needs analyses to establish the communities' priorities based on the approved IDP and the approved available budget. This information is then fed into the SDBIP and used to implement the agreed priorities, including creating assets. T 5.3.3

REPAIRS AND MAINTENANCE EXPENDITURE: 2021/2022 (R' 000)				
	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE
Repairs and Maintenance Expenditure	407 950	404 732	401 399	1%

T 5.3.4

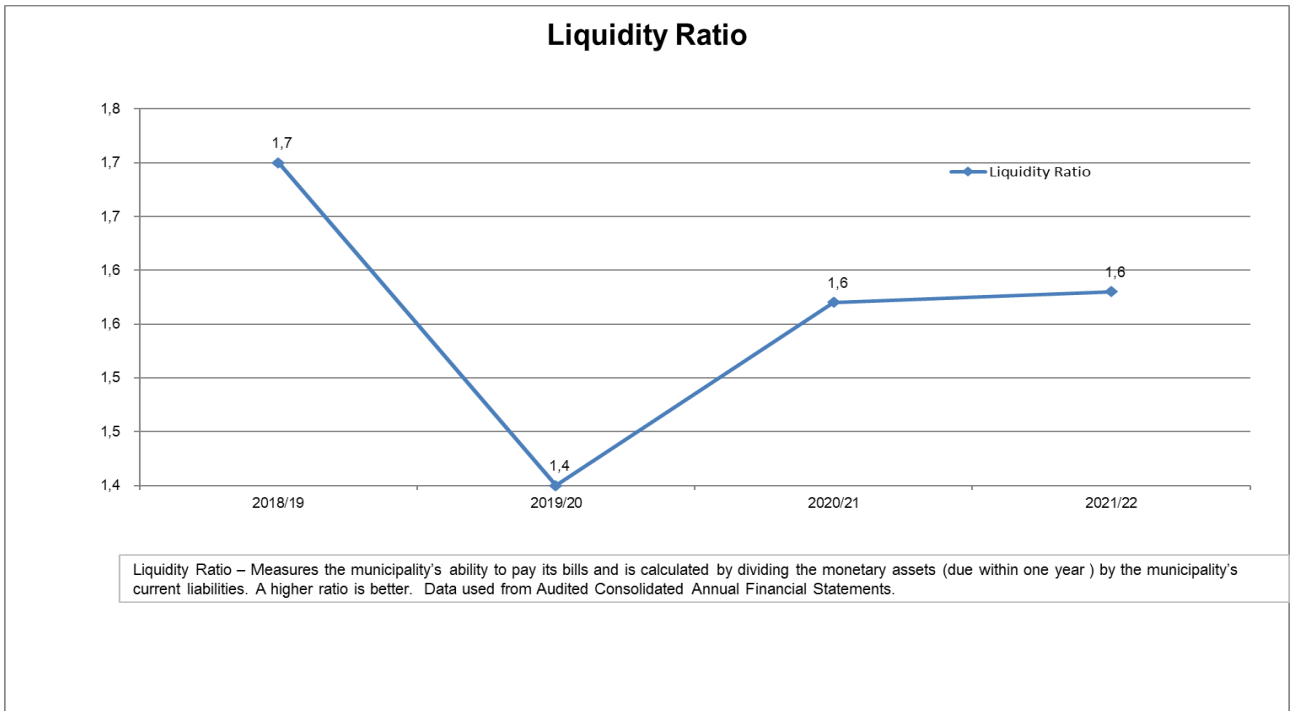
## COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE

BCMM has consistently, on average, spent an average of 90% of its repairs and maintenance Budget. However, contrasting the adequate expenditure to the conditional assessment of the movable and movable assets, the current repairs and maintenance expenditure and budget reflect that the amount allocated for repairs and maintenance needs to be increased to ensure that assets do not depreciate at accelerated times rates. The City has consistently budgeted an average of 4% to 6% for repairs and maintenance. In contrast, the National Treasury norm dictates that we need to budget for repairs and maintenance at a margin of 8% - 10% of Property Plant and Equipment.

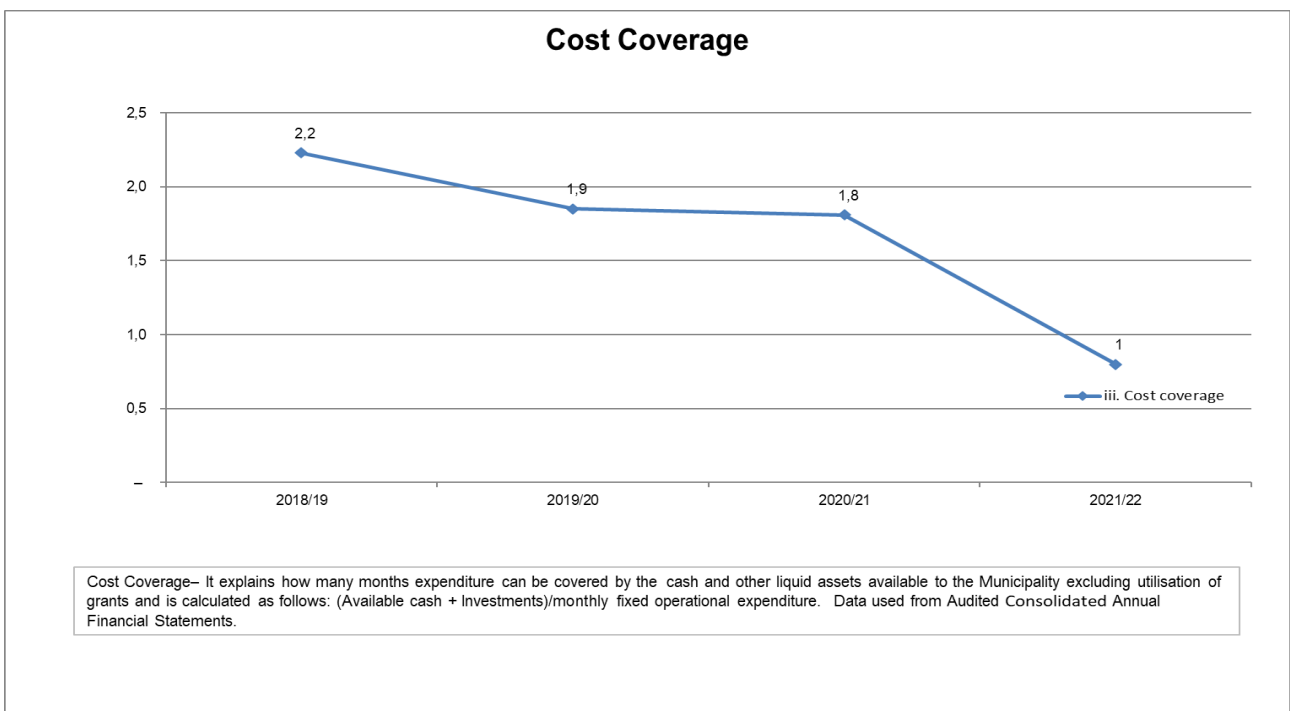
The main challenge in achieving the 8% is using the revaluation model to value Property Plant and Equipment. In addition, the City's infrastructure repairs and maintenance programme is complemented by the renewal and upgrading of existing assets capital programme.

In the 2021/2022 financial year, the City allocated R0.919 billion in the upgrading and renewal programme that complements the repairs and maintenance. T 5.3.4.1

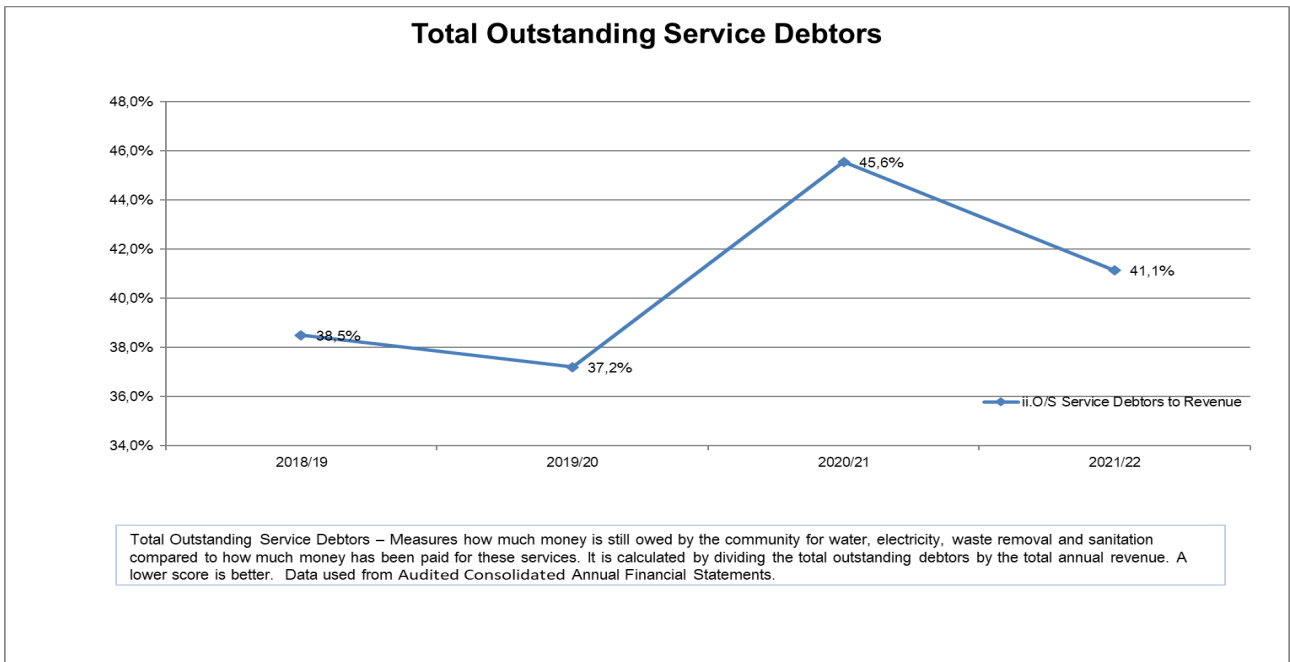
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



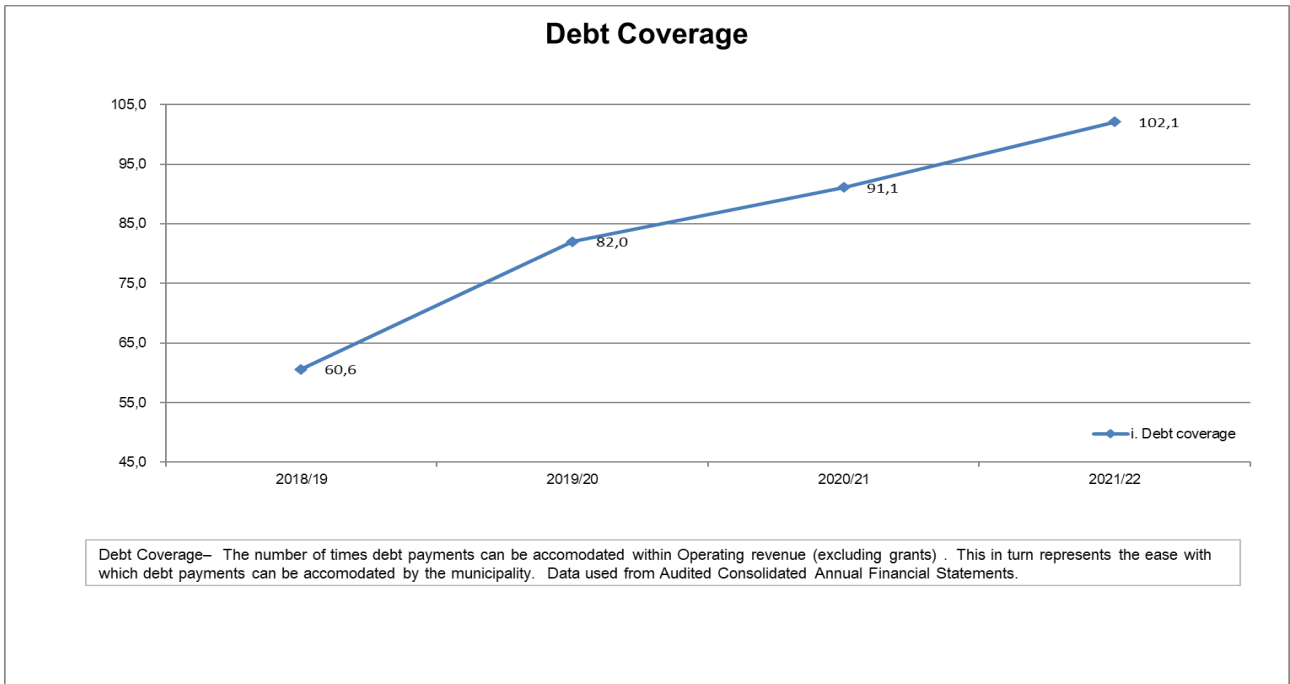
T 5.4.1



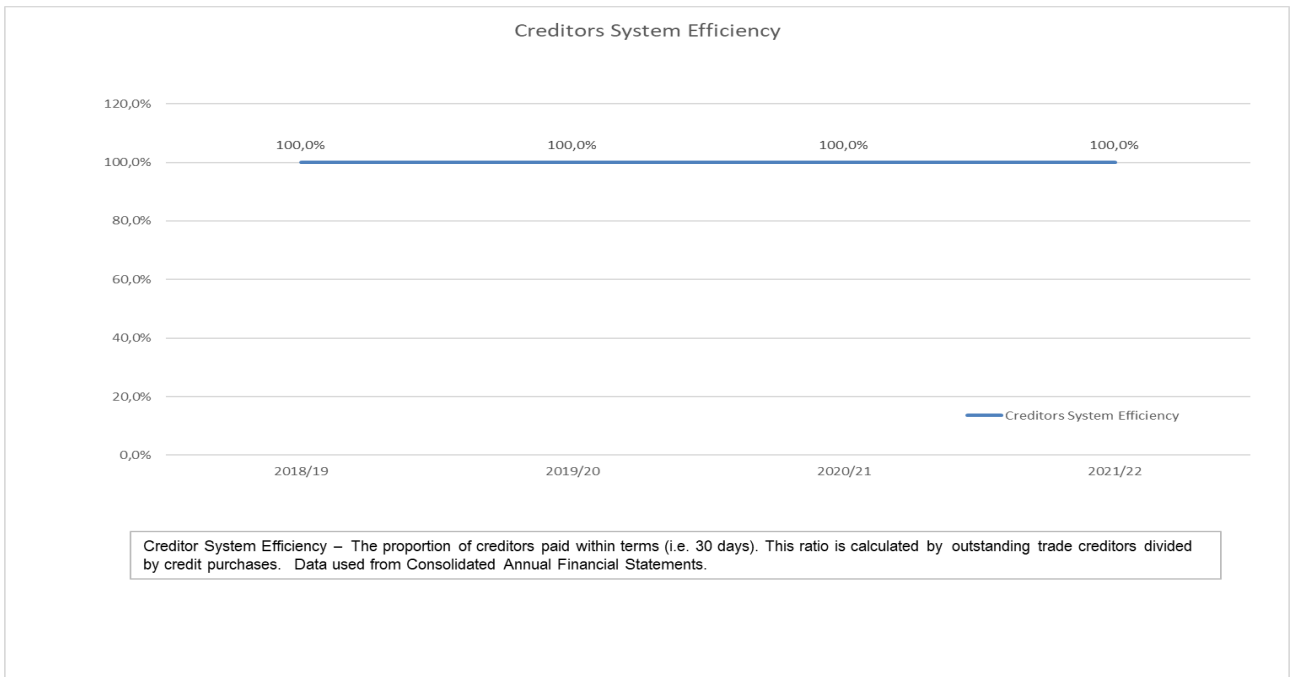
T 5.4.2



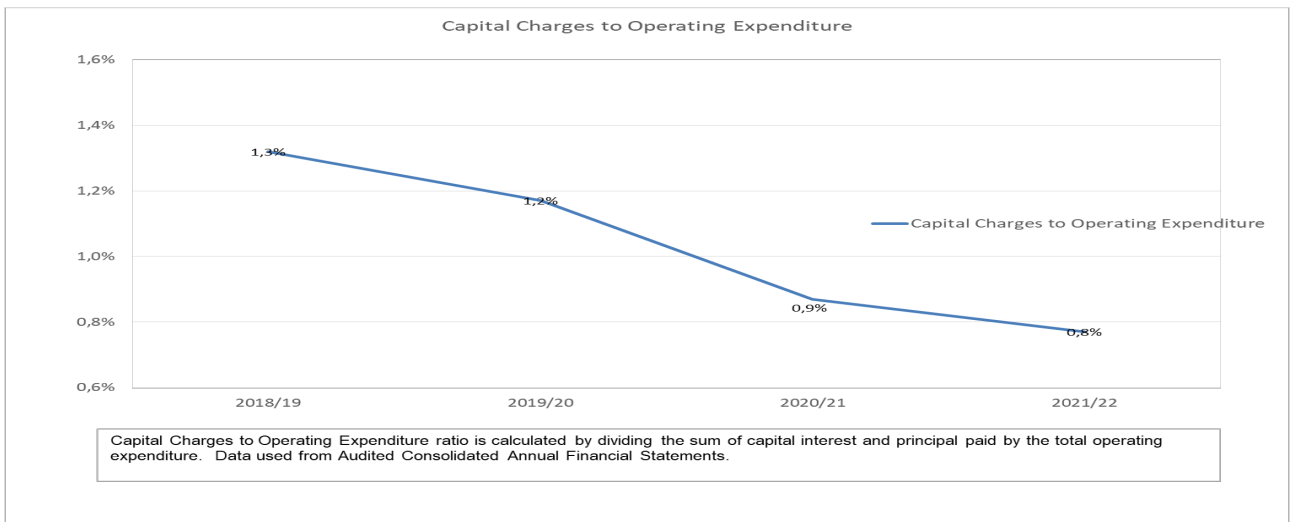
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T 5.4.4

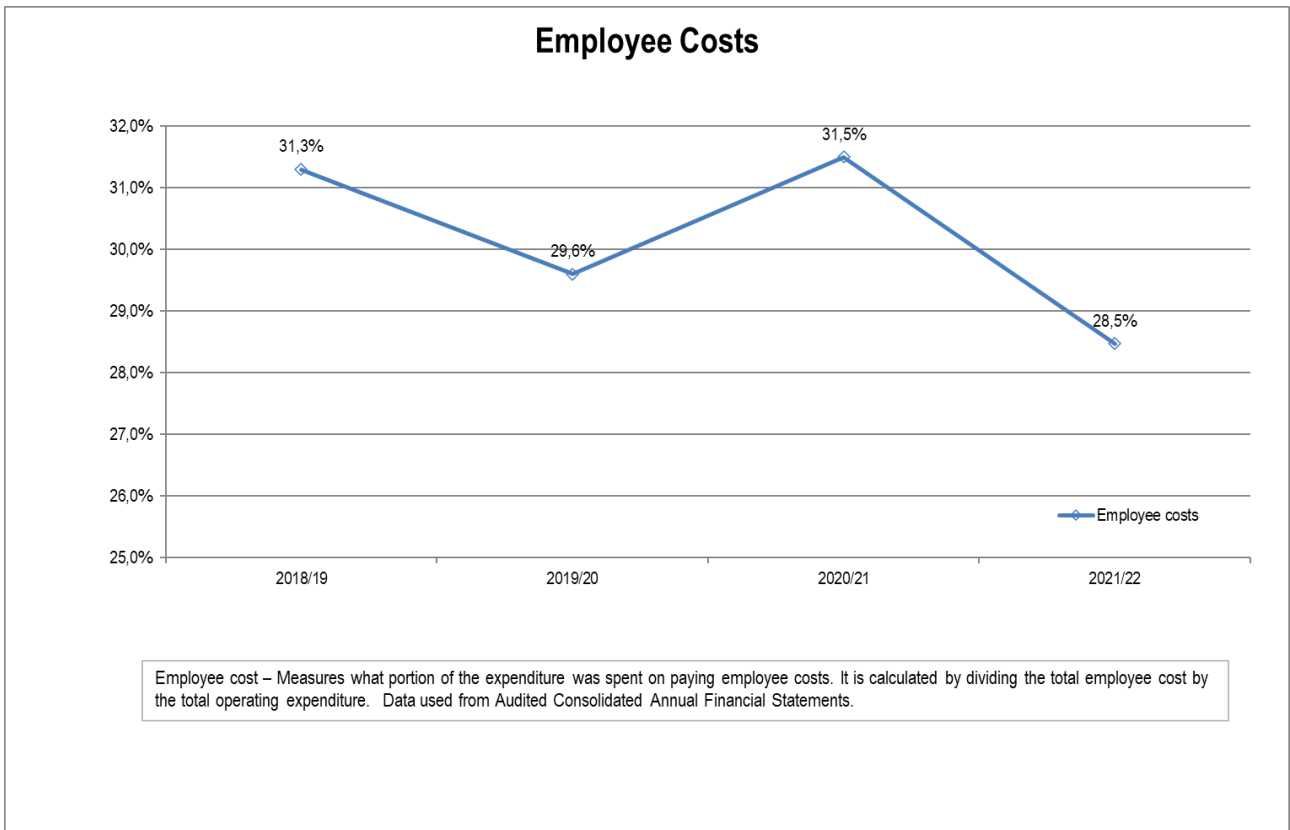


T 5.4.5

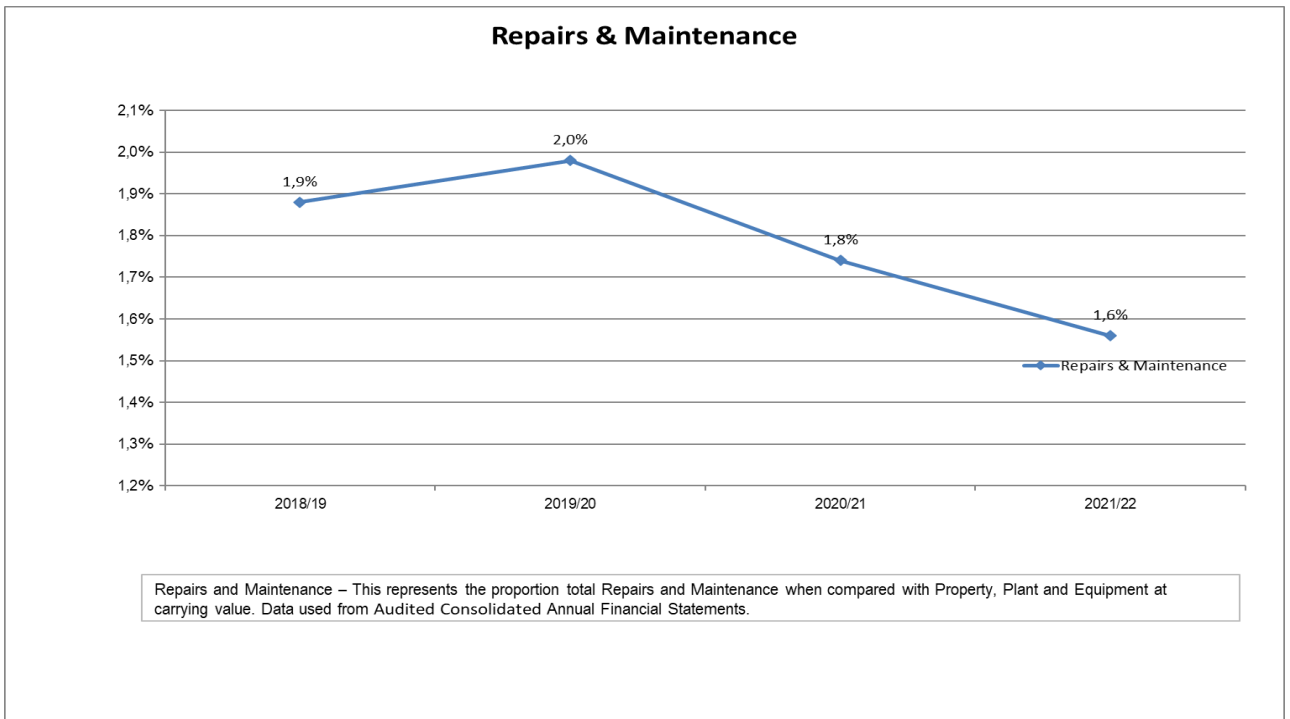


T 5.4.6





T 5.4.7



T 5.4.8

## COMMENT ON FINANCIAL RATIOS

**Liquidity Ratio:** The rate of 1.6:1 is regarded as being within the National Treasury norm that ranges between 1.5 - 2:1. The ratio measures the Municipality's ability to meet its Current Liabilities. A lower ratio indicates a situation of weakened liquidity position. The City can still pay Current Liabilities with available Current Assets but is investigating Revenue Enhancement Strategies to strengthen the Current Asset position.

**Cost Coverage:** This ratio explains how many months the cash and other liquid assets available to the Municipality, excluding utilisation of grants, can cover' expenditure. This rate is one month and is within the National Treasury norm of 1 - 3 months.

**Total Outstanding Service Debtors:** The rate of outstanding service debtors is currently 41.1%. Outstanding debtors continue to be a focus for the City, which is continuously implementing methods to decrease this rate to a manageable level. The City continues to explore efforts to reduce outstanding services debtors and improve its Collection Ratio above the budget of 90.5%.

**Debt Coverage:** It reflects the number of times debt payments can be made within operating revenue (excluding grants). This, in turn, represents the ease with which the City can make debt payments. This rate continues to improve; it is 102% as of 30 June 2022. This indicates that the City's long-term debt is decreasing due to the Metro not taking up additional loan funding during the 2021/2022 financial year. As a result, the City can borrow additional financing to invest in infrastructure projects. However, due to weak economic performance and a weak collection rate, the process for additional loans is undertaken with caution.

**Efficiency:** The City maintains its policy to pay its creditors within 30 days. The constant 100% payment levels to creditors highlight this achievement.

**Capital Charges to Operating Expenditure:** The rate is 0.8% in the 2021/2022 financial year. The City can borrow additional financing to invest in infrastructure projects. However, due to weak economic performance and a weak collection rate, the process for additional loans is undertaken with caution.

**Employee Costs as a percentage of Operating Expenditure:** The rate of 28.5% is within the norm of 25% - 40%.

**Repairs and maintenance as a percentage of Total Revenue (excl. Capital Transfers and Contributions):** This represents the proportion of total Repairs and Maintenance compared with Property, Plant and Equipment and Investment Property at carrying value. The rate remains below the norm of 8% for the City at 1.6%. The City is augmenting its assets maintenance programme by using part of its own funding towards capital investment on the renewal of existing assets.

T 5.4.9



# **CHAPTER 5**

## **FINANCIAL PERFORMANCE**

### **Component B:**

### **Spending Against Capital Budget**

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

The City had a capital budget of R1.598 billion, of which R1.466 billion (inclusive of VAT), which equates to 92%, was spent. Own-funded projects had a budget of R0.891 billion, and R0.784 billion (88%) of the budget was spent. Grant-funded projects had a budget of R0.707 billion and R0.681 billion, which equates to 96% was spent.

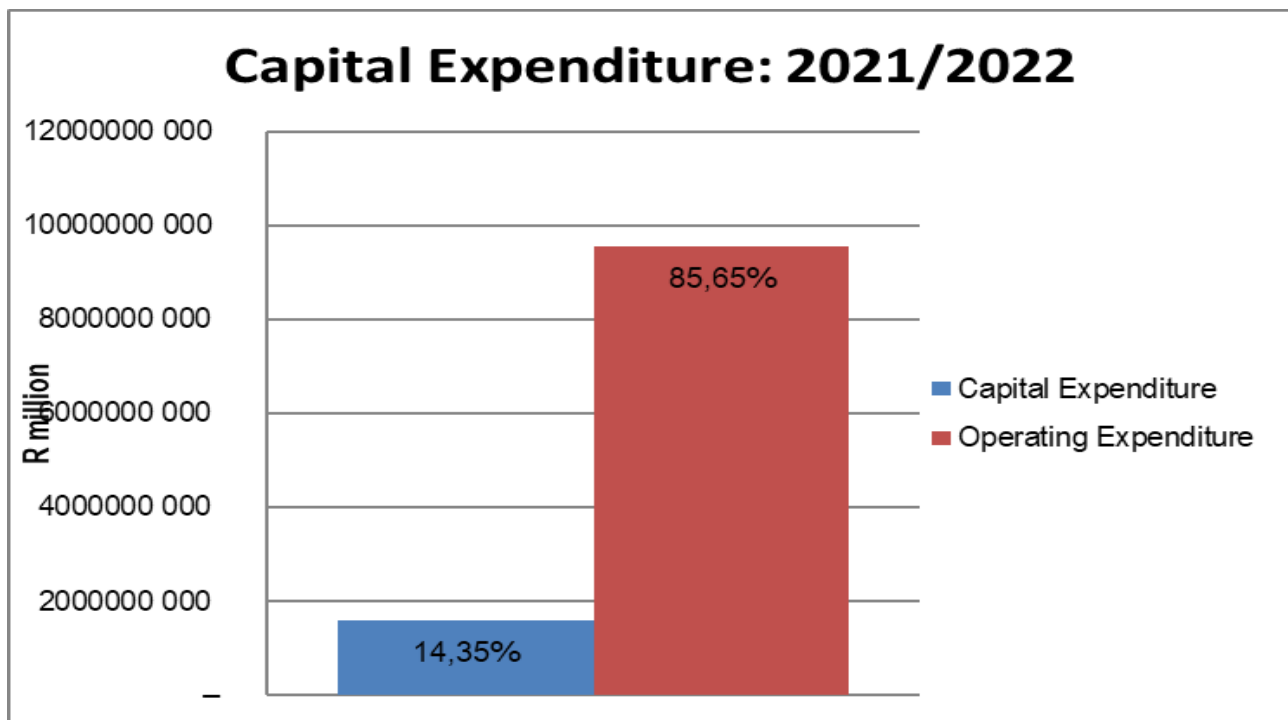
Renewal of existing assets represents 57% (R0.919 billion) of the total capital budget, while new assets equate to 43% (R0.679 billion) in the 2021/2022 financial year.

The five largest capital projects of the City in the 2021/2022 financial year were the following:

- Rehabilitation of Settlersway: the project was allocated 5% of the City's capital budget.
- Rural Roads: the project was allocated 3% of the City's capital budget.
- Roads Provision: the project was allocated 5% of the City's capital budget.
- Bulk Electricity Infrastructure Upgrade: the project was allocated 6% of the City's capital budget.
- Smart Metering Solutions - Water and Electricity: the project was allocated 12% of the City's capital budget.

T 5.5.0

### 5.5 CAPITAL EXPENDITURE

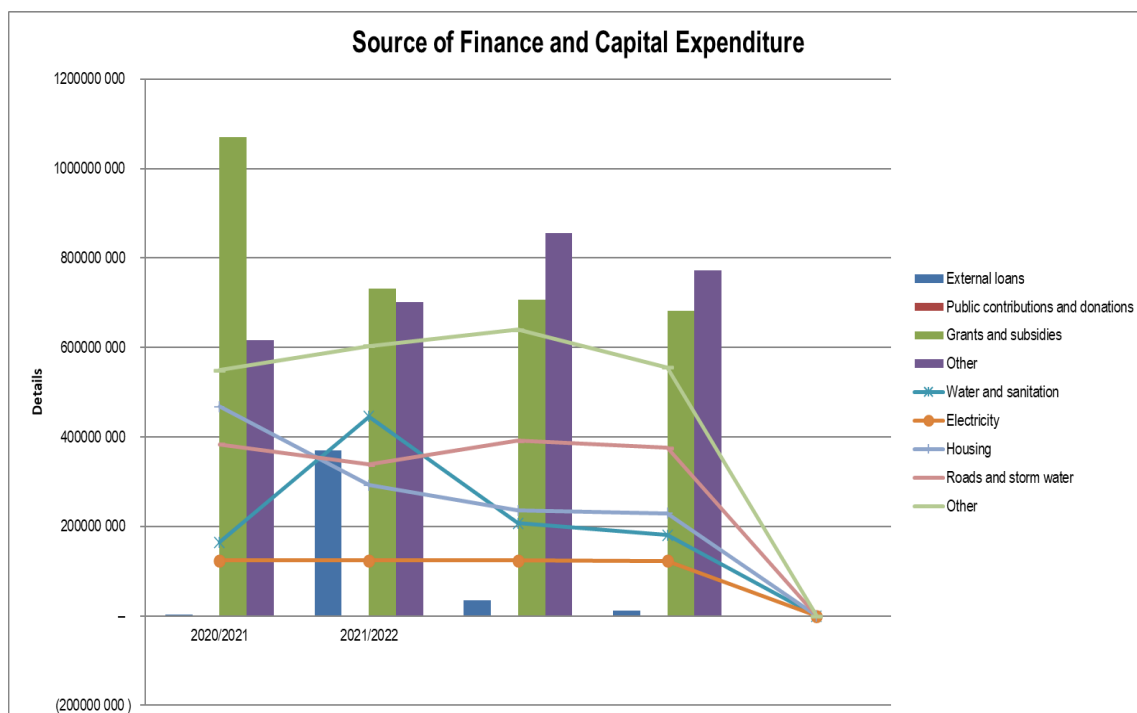


T 5.5.1

## 5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2020/2021 to 2021/2022							R' 000
Details	2020/2021	2021/2022					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
<b>Source of finance</b>							
External loans	3 079	369 714	35 311	11 727	-90,45%	-96,83%	
Public contributions and donations	-	-	-	-	0,00%	0,00%	
Grants and subsidies	1 069 736	732 499	707 259	681 730	-3,45%	-6,93%	
Other	617 287	701 379	855 691	772 166	22,00%	10,09%	
<b>Total</b>	<b>1 690 102</b>	<b>1 803 592</b>	<b>1 598 261</b>	<b>1 465 623</b>	<b>-71,89%</b>	<b>-93,67%</b>	
<b>Percentage of finance</b>							
External loans	0,2%	20,5%	2,2%	0,8%	125,8%	103,4%	
Public contributions and donations	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
Grants and subsidies	63,3%	40,6%	44,3%	46,5%	4,8%	7,4%	
Other	36,5%	38,9%	53,5%	52,7%	-30,6%	-10,8%	
<b>Capital expenditure</b>							
Water and sanitation	164 461	445 950	206 943	180 976	-53,60%	-59,42%	
Electricity	124 127	123 420	124 009	123 361	0,48%	-0,05%	
Housing	468 089	292 385	235 846	229 670	-19,34%	-21,45%	
Roads and storm water	383 743	338 290	391 561	376 032	15,75%	11,16%	
Other	549 681	603 546	639 902	555 583	6,02%	-7,95%	
<b>Total</b>	<b>1 690 102</b>	<b>1 803 592</b>	<b>1 598 261</b>	<b>1 465 623</b>	<b>-50,68%</b>	<b>-77,71%</b>	
<b>Percentage of expenditure</b>							
Water and sanitation	9,7%	24,7%	12,9%	12,3%	105,7%	76,5%	
Electricity	7,3%	6,8%	7,8%	8,4%	-0,9%	0,1%	
Housing	27,7%	16,2%	14,8%	15,7%	38,2%	27,6%	
Roads and storm water	22,7%	18,8%	24,5%	25,7%	-31,1%	-14,4%	
Other	32,5%	33,5%	40,0%	37,9%	-11,9%	10,2%	

T 5.6.1



## COMMENT ON SOURCES OF FUNDING

The City had a total budget of R11.139 billion, of which R1.598 billion (14.35%) was allocated towards the City's capital budget. The City spent R1.466 billion inclusive of VAT on its capital budget, which equates to 92%.

Own-funded projects had a budget of R0.891 billion, and R0.784 billion (88%) of the budget was spent. Grant-funded projects had a budget of R0.707 billion and R0.682 billion, which equates to 96% was spent. Government Grants and subsidies continue to comprise the most significant portion of the funding utilized for capital expenditure.

The municipality uses the revaluation method to account for its assets, which allows the City to raise funding through depreciation for the renewal and refurbishment of existing assets. This assists the municipality in contributing towards capital budget funding. T 5.6.1.1

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*						R' 000
Name of Project	Current: 2021/2022			Variance: Current 2021/2022		
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)	
A - Rehabilitation of Settlersway	91 250	79 793	79 793	13%	13%	
B - Rural Roads	43 000	48 551	48 529	-13%	-13%	
C - Roads Provision	83 000	82 368	82 279	1%	1%	
D - Bulk Electricity Infrastructure Upgrade(Ring-Fenced 4% of the Total Electricity Revenue)	91 920	91 684	91 684	0%	0%	
E - Smart Metering Solutions - Water & Electricity	239 515	186 904	186 156	22%	22%	
* Projects with the highest capital expenditure in Year 2019/2020						
<b>Name of Project - A</b>	<b>Rehabilitation of Settlerway</b>					
Objective of Project	To rehabilitate existing Settlersway road					
Delays	No delays, multi year programme					
Future Challenges	None					
Anticipated citizen benefits	Entire municipality will benefit					
<b>Name of Project - B</b>	<b>Rural Roads</b>					
Objective of Project	To rehabilitate existing rural roads in BCMM					
Delays	None					
Future Challenges	This is an ongoing project aimed at improving the condition of roads infrastructure in BCMM. It will be ongoing for a number of years.					
Anticipated citizen benefits	All the residents of BCMM					
<b>Name of Project - C</b>	<b>Roads Provision</b>					
Objective of Project	To rehabilitate existing urban roads in BCMM					
Delays	None					
Future Challenges	This is an ongoing project aimed at improving the condition of roads infrastructure in BCMM. It will be ongoing for a number of years.					
Anticipated citizen benefits	All the residents of BCMM					
<b>Name of Project - D</b>	<b>Bulk Electricity Infrastructure Upgrade (Ring-Fenced 4% of the Total Electricity Revenue)</b>					
Objective of Project	The Upgrading of Electrical infrastructure, broken down into MV/LV Network, MV switching					
Delays	None					
Future Challenges	N/A					
Anticipated citizen benefits	All the residents of BCMM as there would be less interruption of electrical supply.					
<b>Name of Project - E</b>	<b>Smart Metering Solutions - Water &amp; Electricity</b>					
Objective of Project	Installation of Smart Meters					
Delays	There are no delays except the fact that the project was put on hold until the finalization of Budget on Electricity component					
Future Challenges	Budget on Electricity component					
Anticipated citizen benefits	During the campaign citizens will be educated on how to view their water and electricity consumption to be able to manage their consumption					

T 5.7.1



## COMMENT ON CAPITAL PROJECTS

**Rehabilitation of Settlersway** - The budget was adjusted downwards from R91 million to R79 million resulting in a decrease amounting to R11 million. The actual expenditure when compared to adjusted budget equates to 100%.

**Rural Roads** - The budget was adjusted upwards from R43 million to R48 million resulting in an increase amounting to R5 million. The actual expenditure when compared to adjusted budget equates to 100%.

**Roads Provision** - The budget was adjusted downwards from R83 million to R82 million resulting in a decrease amounting to R1 million. The actual expenditure when compared to adjusted budget equates to 100%.

**Bulk Electricity Infrastructure Upgrade (Ring-Fenced 4% of the Total Electricity Revenue)** - The adjusted budget has remained the same at R91 million from the original budget. The actual expenditure when compared to adjusted budget equates to 100%.

**Smart Metering Solutions - Water and Electricity** - The budget was adjusted downwards from R219 million to R186 million resulting in a decrease amounting to R32 million. The actual expenditure when compared to adjusted budget equates to 100%.

T 5.7.1.1

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

#### Electricity

The Department is responsible for universal access to electricity as a key basic service to residents and implements electrification to RDP houses through the Department of Energy funding. In addition, the institution provides a minimum of 40 amps to all RDP service connections within the Municipal area of supply, above the Department of Energy's requirement of 20 amps.

The Electricity and Energy Department requests a list from Human settlement of the housing projects completed in the previous year to be forwarded so they can be scheduled for electrification.

The Department implements informal electrification in line with a council resolution. Informal dwellings within the BCMM area of supply receive the same service as a formal RDP household. All the low-hanging fruit projects in terms of informal electrification have been implemented. BCMM has approved a Standard Operating Procedure that aims to speed up the electrification of informal areas. However, some issues need to be resolved to meet all legal requirements. A task team is working on the issues to resolve them as quickly as possible so projects can be implemented.

#### Water and Sanitation Services

BCMM is known as a rural metro due to the percentage of the rural component within the municipal jurisdiction. Population growth impacts the Municipality's ability to address water services delivery backlogs. As much as the demographics state a 60:40 urban-to-rural split, there has been a few rural developments growing in the proximity of the urban edge due to people moving out of urban areas. This provides additional stress to water resources as the developments require higher service levels, which increases unauthorised water connections, leading to low water pressure, water interruptions in some areas, and water losses.

The other factor that holds back the eradication of backlogs is the increased demand for services in informal settlements, which is uncontrolled and rapidly growing. Sanitation backlogs are only found in rural areas and a few informal settlements due to historical inherited from the Transitional Local Councils, increasing population, and village extensions.

## Housing

BCMM has ± 110,400 prospective beneficiaries in the National Housing Needs Register (NHNR). The Informal Settlement Study approved by BCMM Council in 2012 states that BCMM has 154 informal settlements within the urban areas. However, the growth and mushrooming of informal settlements have never stopped since the Council developed and approved the study. Therefore, the BCMM has set aside a budget of R2,5 million to review the informal settlement study. The project will be executed in the 2022/23 financial year.

The Directorate of Human Settlements is facing the rapid urbanisation of a number of people migrating to the City, seeking employment opportunities, universities and other social amenities. The majority of these people are unemployed. They opt to reside in informal settlements and further increase the number of people living under health hazardous conditions that need emergency assistance. There is also a rapid trend of disaggregation of families, some building shacks in the backyards, hence the Municipality has ± 40,000 backyarders. So, the demand for houses is increasing rapidly, making it difficult for the Municipality to provide houses to everyone, as the Metro depends on the budget provided by Human Settlements, the National Treasury and the availability of suitable land.

The Directorate of Human Settlements Integrated Sustainable Human Settlement Plan (ISHSP) has brought a paradigm shift regarding human settlements provision in the BCMM. However, this paradigm shift proposed in the ISHS must be implemented and monitored.

The Directorate of Human Settlements requires 150 hectares of land annually to make a significant dent in 110,400 potential beneficiaries in the National Housing Needs Register (NHHR). However, it has been challenging to meet the need due to constraints such as more budget, cooperation and synergy between Human Settlements and Spatial Planning and Development directorates. The 150h of land would yield +- 5,000 RDP/BNG housing units, which could significantly dent the housing backlog in BCMM.

## Waste Management

BCMM experiences a backlog of waste management services because of the inward migration of people towards urban settlements, relocations, and the increase of informal settlements. Affected areas that form backlog during the year under review include Ducats North, Second Creek, Silvertown and Maclean town, which are new developments. However, such areas have been incorporated in the revised refuse collection schedule, which is already implemented in Midlands and will be implemented in 2021 in the Coastal region. T 5.8.1.

SERVICE BACKLOGS FOR HOUSEHOLDS (HHS) AS AT 30 JUNE YEAR 2019/20				2021/22	
	*SERVICE LEVEL ABOVE MINIMUM STANDARD		**SERVICE LEVEL BELOW MINIMUM STANDARD		
	No. HHs	% HHs	No. HHs	% HHs	
Water	250,530	99%	2,947	1%	
Sanitation	245,678	97%	8,435	3%	
Electricity	186,921	83.48%	37,000	16.52%	
Waste Management	4	0,0017%	18	0,027%	
Housing	110,400	0.63%	0	0%	

*% HHs are the service above/below minimum standard as a proportion of total HHS. 'Housing' refers to \* formal and \*\* informal settlements.*

T 5.8.2

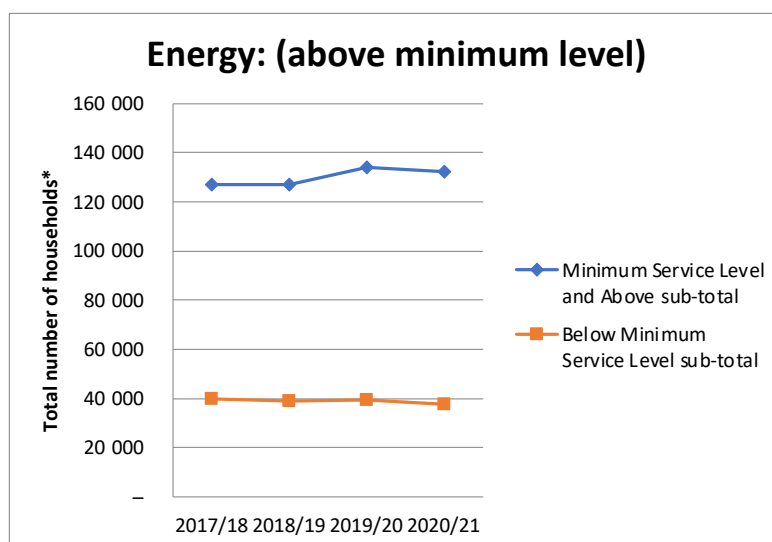
Urban Settlement Grant (USDG)* Expenditure 2021/2022 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
AMENITIES	-	6 248	5 537	0%	11%	A minimum of 50 per cent of the USDG allocation must be spent on the provision of individual basic services to households living in informal settlements either through in-situ upgrades, relocation or integrated development projects. Metros must submit an annual BEPP, USDG performance matrix and SDBIP aligned to the IDP, to the National Department of Human Settlements and National Treasury.
ELECTRICITY	28 389	5 750	5 750	80%	0%	
HUMAN SETTLEMENTS	479 579	103 104	98 122	80%	5%	
LOCAL ECONOMIC DEVELOPMENT	19 886	21 727	21 727	-9%	0%	
ROADS	266 023	139 260	124 117	53%	11%	
SPATIAL PLANNING	6 228	-	-	100%	0%	
EPMO	20 614	15 011	14 941	28%	0%	
TRANSPORT PLANNING	61 553	67 588	67 416	-10%	0%	
WASTE MANAGEMENT	19 207	-	-	100%	0%	
WASTE WATER	145 002	62 788	62 788	57%	0%	
WATER	63 695	78 230	77 512	-22%	1%	
<b>Total</b>	<b>1 110 176 535</b>	<b>499 705 000</b>	<b>477 909 657</b>	<b>57%</b>	<b>4%</b>	
<p>* USDG is intended to provide the municipalities with funds to supplement Capital Investment Programmes in terms of the provisions of the Division of Revenue Act (DoRA) for infrastructure development and is directly linked to planning and implementation of human settlements programmes in urban areas. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</p>						T 5.8.3

## COMMENT ON BACKLOGS

### Electricity

The standard definition backlogs are considered only within the formal RDP housing sector. In BCMM, the backlog in RDP formal housing is due to new houses completed during new developments within the year. This number fluctuates between 1,500 and 2,000; which remains un-electrified for a short period.

Since 2012 BCMM have implemented electrification projects in informal settlements. The original backlog of informal dwellings was estimated at 45,000 over the years. This has been reduced to 37,000. *Note: Due to land invasion and expansion of informal settlements, this is a very low estimate as the number grows daily.*



*Eskom area of supply, the backlog is mainly caused by extensions to already electrified villages, the main hold back on the extension being electrified is that many of them do not meet electrification guideline of having a formal layout plan*

## **Water and Sanitation Services**

The migration of people from rural areas to urban areas and the migration of people to rural areas closest to town results in a huge demand for water and sanitation services at BCMM. Also, there is a huge demand for water and sanitation services due to mushrooming informal settlements within our City. Another contributing factor is the population growth that impacts BCMM's ability to address service delivery backlogs. However, there are only sanitation backlogs in rural areas due to historical backlogs, increased population and village extensions.

## **Housing**

The Directorate has a huge housing backlog; depending on the budget provided by Human Settlements and National Treasury and the availability of land, implementation is done accordingly. In the 2020/21 financial year, the housing backlog was 108,000. The number was 110,400 in the 2021/22 financial year.

## **Waste Management**

Backlogs regarding Solid Waste Management services result from a knock-on effect of human settlement development. The inward migration of people towards urban settlement confronts all Metros and Secondary Cities. This put pressure on Metros and Secondary Cities to focus on Human Settlement development, and BCMM is facing the same challenge. BCMM provides solid waste removal services to all urban households, which is made of formal and informal. Any backlog is attended to through the expansion of refuse removal services to all new housing/human settlement areas as notified by BCMM Human Settlement Directorate. On average, BCMM has a backlog on refuse removal at Ducats North, Second Creek, Silvertown and Maclean town (3% of the urban node). Such backlogs were addressed and incorporated into the refuse removal schedule during the 2020/21 financial year. T5.8.4.



# **CHAPTER 5**

## **FINANCIAL PERFORMANCE**

### **Component C:**

### **Cash Flow Management and Investments**

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Managing the cash resources of BCMM remains a key requirement to ensure the liquidity of the Municipality to meet its financial obligations, both currently and in a sustainable future. Cash flow is actively monitored by BCMM, with daily cash flows being prepared and reported on to provide a clear indication of the current cash position. This enables the Municipality to meet its obligations as they become due. In addition, both major revenue (grants, equitable share and high revenue inflow periods, etc.) and expenditure (bulk purchases and loan repayments, etc.) categories have been identified and accounted for appropriately to ensure that repayments are made on time, and that surplus funds are invested to earn a favourable return on investment.

The effects of the global economic crisis are a cause of concern to the Metro as they impact revenue-generating ability and the ability to maintain a favourable cash flow position. Operations have settled, and tight cash controls have ensured that cash optimization in spending occurs rather than a focus on cash generation. The area of revenue collection requires close attention to ensure a favourable cash flow position is maintained so that this position can be improved. The collection of outstanding debtors is critical to the financial sustainability of the Metro. BCMM makes payments to creditors within the terms specified by suppliers, ensuring that investments remain in place to maximize the interest-earning potential whilst also ensuring the safety of the principal of any surplus funds. Investment diversification is in practice at BCMM to minimize risk and maximize interest-earning potential. T 5.9

### 5.9 CASH FLOW

CASH FLOW OUTCOMES R'000				
DESCRIPTION	2020/21	CURRENT: YEAR 2021/22		
	RESTATED	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Property rates, penalties & collection charges	1 589 415	1 577 897	1 577 897	1 375 151
Service charges	3 937 345	3 421 416	3 426 085	2 944 978
Other revenue	(623 308)	967 444	964 660	1 053 718
Government - operating	1 206 249	1 301 395	1 443 206	1 057 255
Government - capital	1 069 736	733 699	708 459	688 929
Interest	160 710	130 828	131 074	209 646
Dividends	-			-
<b>Payments</b>				
Suppliers and employees	(5 753 843)	(6 489 344)	(6 430 839)	(6 117 694)
Finance charges	(25 757)	(59 936)	(20 689)	(20 684)
Transfers and Grants	(104 708)	(161 059)	(150 932)	(127 078)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>1 455 838</b>	<b>1 422 341</b>	<b>1 648 922</b>	<b>1 064 221</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	36 769	-	-	1 380
Decrease (Increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
<b>Payments</b>				
Capital assets	(1 666 515)	(1 803 592)	(1 598 261)	(1 468 361)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(1 629 746)</b>	<b>(1 803 592)</b>	<b>(1 598 261)</b>	<b>(1 466 981)</b>



CASH FLOW OUTCOMES R'000				
DESCRIPTION	2020/21	CURRENT: YEAR 2021/22		
	RESTATED	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	368 370	35 311	-
Increase (decrease) in consumer deposits	-	-	-	-
<b>Payments</b>				
Repayment of borrowing	(54 396)	(50 892)	(46 841)	(45 191)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(54 396)</b>	<b>317 478</b>	<b>(11 530)</b>	<b>(45 191)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(228 303)</b>	<b>(63 772)</b>	<b>39 131</b>	<b>(447 950)</b>
Cash/cash equivalents at the year begin:	<b>1 373 711</b>	<b>1 373 606</b>	<b>1 375 758</b>	1 145 407
Cash/cash equivalents at the year end:	<b>1 145 407</b>	<b>1 309 833</b>	<b>1 414 889</b>	697 457

Source: MBRR A7

T 5.9.1

## COMMENT ON CASH FLOW OUTCOMES

The net cash flows in operating activities decreased significantly from R1.455 billion to R1.064 billion on 30 June 2022. The main contributing factor is Government grants Capital, as there was a decrease in Capital grants allocated to the Metro in the 2021/2022 financial year.

Cash flow from investing activities has decreased when comparing R1.629 billion to R1.467 billion on 30 June 2022.

The cash flow summary indicates the cash and cash equivalent decreased at year-end from R1.145 billion to R0.697 billion on 30 June 2022. The net impact is a decrease in cash and cash equivalents at year-end. T 5.9.1.1

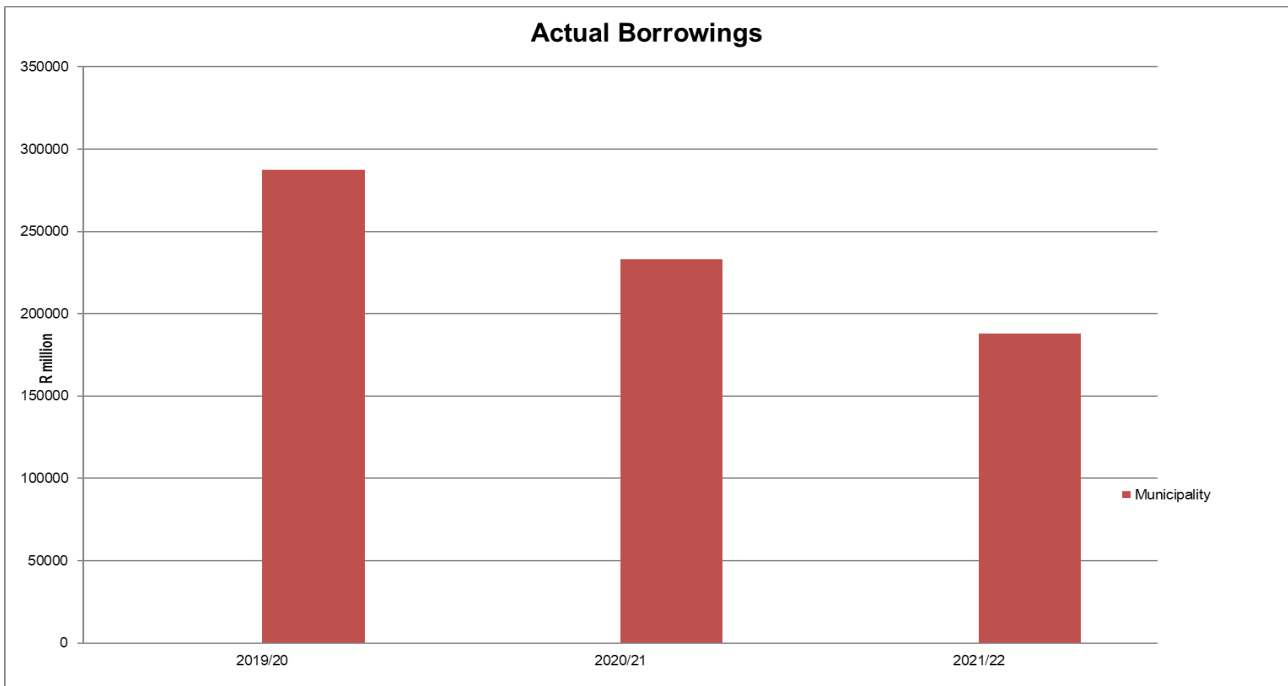
## 5.10 BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

The City's current loan balance of R0.188 billion is outstanding compared with R0.233 billion for 2020/2021. No additional borrowings were taken up during the year under review. The City is currently servicing its debt quarterly with two financial institutions, Rand Merchant Bank and The Development Bank of Southern Africa. The City can borrow additional financing to invest in infrastructure projects. However, due to weak economic performance and a weak collection rate, the process for additional loans is cautiously undertaken. T 5.10.1

ACTUAL BORROWINGS: 2019/2020 - 2021/2022 (R' 000)			
INSTRUMENT	2019/20	2020/21	2021/22
Long-Term Loans (annuity/reducing balance)	287 580	233 185	187 993
<b>TOTAL</b>	<b>287 580</b>	<b>233 185</b>	<b>187 993</b>

T5.10.2



T 5.10.3

MUNICIPAL AND ENTITY INVESTMENTS (R' 000)			
INVESTMENT TYPE	2019/20 (ACTUAL)	2020/21 (ACTUAL)	2021/22 (ACTUAL)
Deposits - Bank	1 373 711	1 145 407	697 457
<b>CONSOLIDATED TOTAL</b>	<b>1 373 711</b>	<b>1 145 407</b>	<b>697 457</b>

T 5.10.4

#### COMMENT ON BORROWING AND INVESTMENTS:

The City's investments with financial institutions have decreased from R 1.15 billion to R 0.697 billion in 2021/2022. The Metro has not taken up new loan funding during 2021/2022. T 5.10.5

#### 5.11 PUBLIC PRIVATE PARTNERSHIPS

No Public Private Partnerships (PPP) were concluded during the year under review. T 5.11.1



# **CHAPTER 5**

## **FINANCIAL PERFORMANCE**

### **Component D: Other Financial Matters**

## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.11 PUBLIC PRIVATE PARTNERSHIPS

No Public Private Partnerships (PPP) concluded during the year under review. *T5.11.1*

### 5.12 SUPPLY CHAIN MANAGEMENT

The revised BCMM Supply Chain Management Policy in April 2022 had to ensure that it complies with the recent Constitutional court ruling on procurement regulations 2017, which were found to be unconstitutional.

BCMM's SCM function comprises the following critical components:

- Demand Management and Supplier Development Section
- Acquisitions Section (Buying and contracts)
- Logistics, Warehouse and Disposal Sections
- Risk and Compliance Management Section and
- Contracts Performance Management Section

Notably, the Supply Chain Management Policy Review that was undertaken in the 2021/22 financial year reflect the following amendments:

BCMM SCM Policy was amended in line with Constitutional Court Judgement which ruled that the SCM regulation of 2017 was deemed unconstitutional. As a result, the Metro will apply a preference point system for exempted Micro and B-BBEE Contributors in terms of the BBEE Act 53 of 2003 and Preferential Procurement Policy Framework Act, Act No.5 of 2000.

An Audit Improvement Plan (AIP) has been developed as a progressive tool where all matters raised during the audit are dealt with and reported in the relevant structures of the Council. The AIP is a tool developed as a review process to monitor issues raised.

Furthermore, three out of five senior managers have reached the prescribed levels required for their positions. However, two are yet to reach the necessary competency levels. *T 5.12.1*

### 5.13 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice, and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the City. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

Generally Recognized Accounting Practice (GRAP) provides the regulations and guidelines on which municipalities are required to maintain their financial accounts. BCMM complies with all GRAP provisions. The financial statements have been prepared using accrual accounting bases and are in accordance with historical cost conventions unless otherwise specified.

Preparing the financial statements is in accordance with the Municipal Finance Management Act (MFMA) and the effective standards of GRAP. Further included are any interpretations and directives issued by the Accounting Standards Board (ASB). This has occurred in accordance with Section 122(3) of the MFMA. The annual financial statements are prepared on the basis that the municipality is a going concern and has neither the intention nor the need to liquidate or materially scale down its operations. *T 5.13.1*

# CHAPTER 6

## AUDITOR GENERAL - AUDIT FINDINGS



Masichume, sande, siphumelele

**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

The Annual Financial Statements were prepared and presented to the Auditor General by 31 August 2022 in compliance with the legislative requirements detailed in section 126(1)(a) of the Municipal Finance Management Act, No 56 of 2003. The Auditor General completed the audit, with the audit opinion signed on 12 December 2022. *T 6.0.1*





## **CHAPTER 6**

# **AUDITOR GENERAL - AUDIT FINDINGS**

### **Component A: Auditor General Opinion of Financial Statements 2020/2021**

## COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS: 2020/2021

### 6.1 AUDITOR GENERAL REPORT 2020/2021 (PREVIOUS YEAR)

AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2020/2021*	
STATUS OF AUDIT REPORT	QUALIFIED
NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected. The remaining uncorrected material misstatements of irregular expenditure has resulted in the financial statements receiving a qualified audit opinion.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
Some of the goods and services with a transaction value of above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids. Similar non-compliance was also reported in the prior year.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act 38 of 2000 and CIDB regulations 17 and 25(7A). This non-compliance was identified in capital expenditure incurred as apart of the municipality's annual contracts.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) (ii) of the MFMA.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
Reasonable steps were not taken to prevent irregular expenditure in contravention of section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified, The majority of the irregular expenditure was caused by transgressions in SCM legislation.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
The SCM policies and procedures were inadequate to ensure fairness, competitiveness and transparency when procuring goods and services. This together with the lack of monitoring of contracts already procured, resulted in non-compliance with SCM regulation.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.

AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2020/2021*	
STATUS OF AUDIT REPORT	QUALIFIED
NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
The daily and monthly disciplines required by management were inadequate to account for all the financial and performance processes of the municipality. Furthermore, management did not prepare regular, accurate and complete financial and performance reports supported and evidenced by reliable information.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
Material irregularity identified: Unbilled water revenue:  Not all consumers were billed for water services. A number of properties were identified as having water connections or having access to water for which the consumer was not billed. This resulted in non-compliance with section 64(2)(b) of the MFMA, which requires revenue due to the municipality to be calculated on a monthly basis. The municipality suffered a financial loss of R9.6million included in income forgone - sale of water of R36million.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.

## T6.1.1

AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE: 2020/2021*	
STATUS OF AUDIT REPORT**	NO AUDIT OPINION EXPRESSED
NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
The performance management system and related controls were inadequate as it did not describe how the performance measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
<b>A Spatially transformed city</b> Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This resulted in the inability to obtain sufficient appropriate audit evidence for the reported achievements in the annual performance report, as well as the reasons for variances between the planned targets and reported achievements for the following indicators: <ul style="list-style-type: none"> <li>· Percentage of wastewater safely treated</li> <li>· Percentage compliance of water treatment works with SANS 241 requirements</li> <li>· Percentage of water connections metered</li> </ul>	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.
Material misstatements identified that were not corrected have been reported above.	An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.

## T6.1.2



# **CHAPTER 6**

## **AUDITOR GENERAL - AUDIT FINDINGS**

**Component B:  
Auditor General Opinion 2021/2022  
(Current year)**

## COMPONENT B: AUDITOR-GENERAL'S OPINION 2021/2022 (CURRENT YEAR)

AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2021/2022*	
STATUS OF AUDIT REPORT:	UNQUALIFIED WITH FINDINGS
NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, non-current assets and expenditure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in an unqualified audit opinion.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
The performance management system and related controls were inadequate as it did not describe how the performance measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Reasonable steps were not taken to prevent irregular expenditure of R6.1billion as required by section 62(1)(d) of the MFMA.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Reasonable steps were not taken to prevent unauthorised expenditure of R163,7million in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was caused by over expenditure on debt impairment.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed, adopted as required by section 67(1)(d) of the Municipal Systems Act 32 of 2000.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.

AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2021/2022*	
STATUS OF AUDIT REPORT:	UNQUALIFIED WITH FINDINGS
NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
Some of the goods and services with a transaction value of above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a) and (b). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids. Similar non-compliance was also reported in the prior year.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Contracts and quotations were awarded to bidders based on functionality criteria that were not weighted for each criterion in the original invitation for bidding quotations.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Some of the contracts were extended or modified without the approval of a properly delegated official.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
The performance of contractors or providers were not monitored monthly. Similar non-compliance was also reported in the prior year.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.



AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2021/2022*	
STATUS OF AUDIT REPORT:	UNQUALIFIED WITH FINDINGS
NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
The contract performance and monitoring measures were not in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of the code of conduct for staff members issued in terms of the MSA.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Some of the irregular expenditure by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.
There were wastewater treatment plants that did not have valid operating licenses as required by section 22(1)(b) of the National Water Act 36 of 1998.	MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.

## T.6.2.1.

AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE 2021/2022*	
STATUS OF AUDIT REPORT:	NO AUDIT OPINION EXPRESSED
NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
<p><b>A Connected city</b> Insufficient appropriate evidence as well as the reasons for the variances between the planned targets and reported achievements. Lack of proper performance management systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored, and reported.</p> <ul style="list-style-type: none"> <li>· Number of dwellings provided with connections to the mains electricity supply</li> <li>· Percentage of planned maintenance performed</li> <li>· Installed capacity of embedded generators on the municipal distribution network.</li> </ul>	<p>MFMA Circular No. 113 - Municipal Finance Management Act No. 56 of 2003 was issued by National Treasury detailing the Web Enabled Audit Action Plan System to be used by municipalities across the country to prioritise and improve audit outcomes in resolving audit findings. All BCMM audit findings are loaded on the National Treasury Portal and an Audit Action Plan has been prepared for each finding detailing the required corrective action to be taken. This is reviewed by Internal Audit on a quarterly basis.</p>
<p><b>A Spatially transformed city</b> Insufficient appropriate evidence as well as the reasons for the variances between the planned targets and reported achievements. Lack of proper performance management systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored, and reported.</p> <ul style="list-style-type: none"> <li>· Number of new water connections meeting minimum standards</li> <li>· Number of formal sites serviced</li> <li>· Number of ablution facilities constructed (seats)</li> </ul>	<p>An Audit Improvement Plan has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis for review.</p>

T6.2.2.

Auditor-General of South Africa

**Buffalo City Metropolitan  
Municipality and its municipal  
entity**

**Audit report for the year ending  
30 June 2022**

## Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on Buffalo City Metropolitan Municipality and its municipal entity

### Report on the audit of the consolidated and separate financial statements

#### Opinion

1. I have audited the consolidated and separate financial statements of the Buffalo City Metropolitan Municipality and its municipality entity (the group) set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2022, and their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Account Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

#### Context for the opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.
4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Restatement of corresponding figures

7. As disclosed in note 52 to the consolidated and separate financial statements, the corresponding figures for 30 June 2021 have been restated as a result of errors identified in the consolidated and separate financial statements of the group at, and for the year ended, 30 June 2022.

#### Material losses and impairments

8. As disclosed in notes 12 and 13 to the consolidated and separate financial statements, material impairment allowances of R1 billion (2021: R750,2 million) and R2,9 billion (2021: R1,9 billion) were made against receivables from non-exchange and exchange transactions respectively. The net movement in these impairment allowances together with the bad debt write-offs resulted in an impairment expense of R1,4 billion (2021: R911,7 million).
9. As disclosed in note 39 to the consolidated and separate financial statements, material electricity losses of R413,4 million (2021: R368,2 million) were incurred, which represents 20% (2021: 23%) of total electricity purchased. The non-technical losses amounted of 10% (2021: 17%) and was due to illegal connections, meter tampering, electrical faults and billing errors.
10. As disclosed in note 39 to the consolidated and separate financial statements, material water losses of R139,3 million (2021: R125,5 million) were incurred, which represents 38% (2021: 36%) of the total water cost. The non-technical losses amounted to 16% (2021: 17%) and was mainly due to theft or illegal access as well as technical and administrative inaccuracies associated with customer metering.

#### Underspending on conditional grants

11. As disclosed in note 16 to the consolidated and separate financial statements, the municipality had an unspent portion of conditional grants of R274,3 million (2021: R264,7 million).

#### Other matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Unaudited disclosure note

13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and, accordingly, I do not express an opinion thereon.

### **Responsibilities of the accounting officer for the consolidated and separate financial statements**

14. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

### **Auditor-general's responsibilities for the audit of the consolidated and separate financial statements**

16. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
17. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### **Introduction and scope**

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for strategic outcomes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.



19. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic outcomes presented in the municipality's annual performance report for the year ended 30 June 2022:

Strategic outcome	Pages in the annual performance report
Strategic outcome 3: A Connected City	x – x
Strategic outcome 4: A Spatially Transformed City	x – x

21. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
22. The material findings on the usefulness and reliability of the performance information of the selected strategic outcomes are as follows:

#### Strategic outcome 3: A Connected City

##### Various indicators

23. I was unable to obtain sufficient appropriate audit evidence for the reported achievements in the annual performance report as well as the reasons for variances between the planned targets and reported achievements. This was due to a lack of proper performance management systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm reported achievements and the reasons for variances by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and the reasons for the variances for the indicators listed below.

Indicator description	Reported Achievement
Number of dwellings provided with connections to the mains electricity supply	643
Percentage of planned maintenance performed	84.8%
Installed capacity of embedded generators on the municipal distribution network	1750.56kW

#### Strategic outcome 4: A Spatially Transformed City

##### Number of sites serviced

24. I was unable to obtain sufficient appropriate audit evidence for the reported achievement in the annual performance report as well as the reason for the variance between the planned target and reported achievement. This was due to a lack of proper performance management systems and processes and formal standard operating procedures that predetermine how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement and the reason for variance by alternative means. Consequently, I was unable to determine whether any adjustment was required to the reported achievement and the reason for the variance.

##### Other matters

25. I draw attention to the matters below.

##### Achievement of planned targets

26. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 23 of this report. The Buffalo City Metropolitan Municipality achieved 68% of the planned targets for the year in the selected Strategic outcome 3: A Connected City. The planned target that was not achieved relates to a key service delivery indicator on electricity, per the table below.

	Indicator	Planned Target	Reported Achievement
1.	Number of dwellings provided with connections to the mains electricity supply	780	643

27. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 24 of this report. The Buffalo City Metropolitan Municipality achieved 46% of the planned targets for the year in the selected Strategic outcome 4: A Spatially Transformed City. Some of the planned targets that were not achieved relate to key service delivery indicators for water and sanitation, per the table below:

	Indicator	Planned Target	Reported Achievement
1.	Number of new water connections meeting minimum standards	500	347
2.	Number of serviced sites	800	322
3.	Number of ablution facilities constructed (seats)	99 (seats)	97 (seats)

28. Reasons for the underachievement of targets are included in the annual performance report on pages xx to xx.

### Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of A Connected City and A Spatially Transformed City. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on the audit of compliance with legislation

### Introduction and scope

30. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
31. The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, non-current assets, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Strategic planning and performance management

33. The performance management system and related controls were inadequate as it did not describe how the performance measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).

### Asset management

34. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

### Expenditure management

35. Reasonable steps were not taken to prevent irregular expenditure of R6.1 billion as disclosed in note 58 to the financial statements of the municipality, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was incurred on management's use of annual contracts outside of the supply chain management (SCM) regulations.

36. Reasonable steps were not taken to prevent unauthorised expenditure of R163,7 million, as disclosed in note 56 to the financial statements of the municipality, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was caused by over expenditure on debt impairment.

#### Human resource management

37. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act 32 of 2000 (MSA).

#### Procurement and contract management

38. Some of the goods and services with a transaction value of above R200 000 were procured without inviting competitive bids by the municipality, as required by SCM Regulation 19(a) and (b). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year.
39. Contracts and quotations were awarded to bidders based on functionality criteria that were not weighted for each criterion in the original invitation for bidding and quotations, in contravention of the 2017 preferential procurement regulation 5(3). This non-compliance was identified in the procurement processes of the municipality for the key project relating to provision of maintenance, repairs and construction of 32kv, 11kv, 400v overhead mains, streetlight overhead mains and underground cables in the municipal area of supply.
40. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). This non-compliance was identified in the procurement processes of the municipality for the projects related to construction of 275 top structures and provision of internal engineering services for Cambridge West Ciskei National Independent Party victims' housing project as well as the re-alignment of the R 72 sleeper site: Phase 2.
41. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
42. The performance of contractors or providers were not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
43. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.
44. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of the code of conduct for staff members issued in terms of the MSA.

### Consequence management

45. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
46. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

### Environmental management

47. The following wastewater treatment plants did not have valid operating licences as required by section 22(1)(b) of the National Water Act 36 of 1998:
  - Amalinda/Central ■ Berlin ■ Breidbach ■ Dimbaza ■ East Bank ■ Gonubie ■ Kayser's Beach ■ Kidd's Beach ■ Mdantsane ■ Potsdam ■ Schornville ■ Westbank

### Other information

48. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected strategic outcomes presented in the annual performance report that have been specifically reported in this auditor's report.
49. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
50. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected strategic outcomes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
51. I did not receive the other information prior to the date of this report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

52. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
53. Leadership's oversight responsibility to ensure credible and reliable financial and performance reporting as well as compliance with legislation was limited due to inadequate coordination and monitoring between directorates of the municipality.
54. The SCM policies and procedures implemented were inadequate to ensure fairness, competitiveness and transparency when procuring goods and services. This, together with a lack of monitoring of contracts resulted in non-compliance with SCM regulations and the incurrence of irregular expenditure.
55. The daily and monthly disciplines required by management were inadequate to account for all the financial and performance processes of the municipality. Furthermore, management did not prepare regular, accurate and complete financial and performance reports supported and evidenced by reliable information.

### Material irregularities

56. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

#### Material irregularity identified during the audit

57. The material irregularity identified is as follows:

##### Vandalism and theft of completed asset

58. The municipality did not comply with section 63(2)(c) read together with section 63(1)(a) of the MFMA which requires that the accounting officer of a municipality be responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets. Management did not safeguard Phase 2 of the Gonubie Beacon Bay link road post handover from the contractor which resulted in vandalism and theft. The road will only be brought into use once all phases of the five phased project are complete. The non-compliance has resulted in a material financial loss of R4,1 million.
59. I notified the accounting officer of the material irregularity on 4 July 2022 and invited him to make a written submission on the actions taken. The accounting officer has responded by indicating that there is a lack of own revenue and grant revenue forecast to complete the remaining phases of the road in order to bring it into use.



60. In the short term, the accounting officer conducted a cost-benefit analysis in order to safeguard the completed phase 2 of the project as there are no funds available to continue with the remaining phases in order to bring the road into use.
61. The accounting officer has committed to secure funding for the remaining phases by 30 June 2023, the contractor to be procured by 30 June 2024 and the project to be initialised and completed by 30 June 2027.
62. A follow-up will be done in the next audit to assess the appropriateness of the actions taken by the accounting officer upon receipt of the investigation report.

### **Material irregularities in progress**

63. I identified another material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in the next year's auditor's report.

### **Status of previously reported material irregularities**

#### **Revenue for water services not calculated on a monthly basis**

64. The municipality did not charge water service charges for 8 337 properties for the year ended 30 June 2020. This resulted in non-compliance with section 64(2)(b) of the MFMA which requires revenue due to the municipality to be calculated on a monthly basis. The non-compliance resulted in a material financial loss as a result of the services not being billed.
65. The accounting officer was notified of the material irregularity on 24 March 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.
66. The following action has been taken to resolve the material irregularity:
  - The municipality notified and commenced billing the affected consumers from the 2020-21 financial year, as per the municipality's credit control policy.
  - The accounting officer instituted disciplinary investigations to identify the persons responsible for the material irregularity.
  - The municipality developed standard operating procedures to guide the flow of information from the source to the financial system as at 30 June 2022.
67. The accounting officer further planned to implement the following actions to resolve the material irregularity:
  - A service level agreement (SLA) has been developed but is still to be signed between Infrastructure, Spatial Planning and Development and Corporate Services directorates. The SLA outlines the value chain process between these directorates, including performing investigations to confirm whether water lines and water points do exist for all properties to determine which properties should be billed for water and to link all properties to the billing system.

- The Finance directorate to perform monthly reconciliations between the valuation roll and billing system to identify any further properties not being billed for water services.
  - Monthly reports will be sent to the Infrastructure Directorate for investigation.
  - Monthly meetings to be held with all relevant directorates to assess progress made in addressing any exceptions identified.
68. The implementation of the planned actions was followed up in the current year audit and it was noted that the accounting officer has made some progress in addressing the material irregularity.
69. A commitment and a detailed project plan was thus obtained from the accounting officer and it was indicated that the date committed to have fully addressed the material irregularity is 30 June 2023.
70. The implementation of the above planned actions and committed deadline will be followed up in the next audit cycle.

#### Revenue for refuse removal services not calculated on a monthly basis

71. The municipality did not charge a number of properties for refuse removal service charges for the year ended 30 June 2021. This resulted in non-compliance with section 64(2)(b) of the MFMA which requires revenue due to the municipality to be calculated on a monthly basis. The non-compliance resulted in a material financial loss as a result of the services not being billed.
72. The accounting officer was notified of the material irregularity on 29 March 2022 and invited to make a written submission on the actions taken or to be taken to address the matter.
73. The following action has been taken to resolve the material irregularity:
- The municipality notified and commenced billing the affected consumers from the 2020-21 financial year, as per the municipality's credit control policy. The municipality is however, still recognising revenue foregone and not billing the customers in line with the credit control policy.
  - The accounting officer instituted disciplinary investigations to identify the persons responsible for the material irregularity.
  - The municipality developed standard operating procedures to guide the flow of information from the source to the financial system as at 30 June 2022.
74. The accounting officer further planned to implement the following actions to resolve the material irregularity:
- A SLA has been developed but is still to be signed between Infrastructure, Spatial Planning and Development and Finance directorates to perform investigations and assign responsibilities for the linking of refuse removal services on the billing system.
  - The integration of the service departments systems to the financial system to cater for controls such as audit trails and segregation of duties.

- The Finance directorate to perform monthly reconciliations between the valuation roll and billing system to identify any further properties not being billed for refuse removal services.
  - Monthly meetings to be held with all relevant directorates to assess progress made in addressing any exceptions identified.
75. The implementation of the planned actions was followed up in the current year audit and it was noted that the accounting officer has made some progress in addressing the material irregularity.
76. A commitment and a detailed project plan was thus obtained from the accounting officer and it was indicated that the date committed to have fully addressed the material irregularity is 30 June 2023.
77. The implementation of the above planned actions and committed deadline will be followed up in the next audit cycle.

#### Other reports

78. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the group's consolidated and separate financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

#### Investigations

79. There were five investigations conducted by external parties during the year under review relating to SCM irregularities and financial misconduct cases which cover the periods 2013-14 to 2019-20. These investigations were ongoing at year end and therefore no recommendations have yet been communicated to management.

*Auditor-General*

East London

12 December 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for strategic outcomes and on the municipality’s compliance with respect to the selected subject matters.

### Consolidated and separate financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the group to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
  - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

**Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

T 6.2.3

**COMMENTS ON AUDITOR-GENERAL’S OPINION: 2021/2022**

The Auditor General has issued an unqualified audit opinion with findings on the Annual Financial Statements for the year ended 30 June 2022. The Annual Financial Statements present fairly, in all material respects, the consolidated and separate financial position of the Buffalo City Metropolitan Municipality.

Management comments and corrective action are to be instituted on the matters raised in the Auditor General report to the Council on the consolidated annual financial statements of Buffalo City Metropolitan Municipality for the year ended 30 June 2022 in terms of section 121(4)(e) of the Municipal Finance Management Act, Act 56 of 2003. The findings are categorised under the heading 'Report on audit of compliance with legislation' and for which management comments and related corrective actions are currently being implemented through the 2021/2022 Audit Action Plan. The findings raised by the Auditor General are being addressed to achieve sound financial management, commitment to clean governance and the attainment of a clean audit.

T 6.2.4

**COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES**

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated

T 6.2.5



# APPENDICES



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY



# **APPENDIX A**

## **Councillors, Committee Allocation and Council Attendance**

## APPENDIX A

**COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE  
FINANCIAL YEAR JULY 2021 - END JUNE 2022**

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME (FT) / PART TIME (PT)	COMMITTEES ALLOCATED	*WARD AND/OR PARTY REPRESENT-ED	PER-CENTAGE COUNCIL MEETINGS ATTEN-DANCE %	PERCENT-AGE APOLOGIES FOR NON-AT-TENDANCE %
Maxegwana, C.H.M. (Speaker) (Elected on 23/11/21)	FT	Council (Chairperson)	PR ANC	100%	0%
Pakati, X.A. (Executive Mayor) (Elected on 23/11/21)	FT	Metropolitan Mayoral Committee (Chairperson)	PR ANC	100%	0%
Faku, P. (Deputy Executive Mayor) (Elected on 23/11/21)	FT	Metropolitan Mayoral Committee Strategic Development (Chairperson)	PR ANC	100%	0%
Ntsasela, S. (Chief Whip of Council) (Elected on 23/11/21)	FT		PR ANC	100%	0%
Angelbeck, R.E.	PT	Corporate Services	PR DA	92,86%	7,14%
Bamla, P.	PT	Human Settlement	Ward 42 ANC	100%	0%
Bangani, B	PT	Health and Public Safety and Emergency Services	Ward 31 ANC	100%	0%
Batala, C.N.	PT	Health and Public Safety and Emergency Services	PR EFF	80%	20%
Batala, N.	PT	Institutional Operations and Civic Relations	PR EFF	100%	0%
Bentley, S.E.	PT	Infrastructure Services	PR DA	100%	0%
Bernardo, A.P.	PT	Corporate Services Sports, Recreation and Community Development	PR ACDP	100%	0%
Booi, S.	PT	Sports, Recreation and Community Development	Ward 22 ANC	100%	0%
Bopi, M.	PT	IDP and Organisational Performance Management	Ward 15 ANC	75%	25%
Bota, M.	PT	Finance	Ward 49 ANC	75%	25%
Botha, A.M.C.	PT	Solid Waste and Environmental Management	PR DA	100%	0%
Caga, S.W.	FT	Finance (Chairperson)	PR ANC	92,86%	7,14%
Ciliza, K.	PT	Economic Development and Agencies Finance	Ward 1 ANC	100%	0%
Daniso, M.	PT	Infrastructure Services	Ward 44 ANC	90%	10%
Dhaya, D.M.	PT	Sports, Recreation and Community Development	PR DA	90,91%	9,09%

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME (FT) / PART TIME (PT)	COMMITTEES ALLOCATED	*WARD AND/OR PARTY REPRESENTED	PERCENTAGE COUNCIL MEETINGS ATTENDANCE %	PERCENTAGE APOLOGIES FOR NON-ATTENDANCE %
Diko, V.A.	PT	Health and Public Safety and Emergency Services	PR AIC	50%	50%
Dlova, S.P.	PT	Municipal Services	PR AIC	0%	100%
Dyonase, B.	PT	Municipal Services	Ward 39 ANC	75%	25%
Dywili, Z.A.	PT	Solid Waste and Environmental Management Sports, Recreation and Community Development	Ward 2 ANC	100%	0%
Faku, K.T.	PT	Economic Development and Agencies	Ward 40 ANC	85,71%	14,29%
Faku, M.	PT	Finance	PR EFF	90%	10%
Fini, M.	PT	Health and Public Safety and Emergency Services	Ward 21 ANC	50%	50%
Fritz, T.F.	PT	Infrastructure Services	PR DA	85,71%	14,29%
Gamnca, N.	PT	Municipal Services	Ward 20 ANC	25%	75%
Gcilishe, M.	PT	Finance	Ward 11 ANC	100%	0%
Gcobo, A.	PT	Infrastructure Services	PR PAC	71,43%	28,57%
Gcwabe, A.	PT	Economic Development and Agencies	Ward 20 ANC	90%	10%
Gida, S.P.	PT	Corporate Services	PR EFF	70%	30%
Goci, N.M.	PT		Ward 5 ANC	100%	0%
Gosani, G.L.	PT	IDP and Organisational Performance Management and Health and Public Safety and Emergency Services	Ward 12 ANC	50%	50%
Gould, W.D.	PT	Finance	PR DA	100%	0%
Gqodi, V.	PT	Institutional Operations and Civic Relations and Economic Development and Agencies	PR ANC	75%	25%
Gqola, L.	PT	Strategic Development	Ward 39 ANC	100%	0%
Green, J.D.	PT	Human Settlement	PR DA	100%	0%
Gulwa, S.S.	PT	Finance	Ward 23 ANC	90%	10%
Gunyazile, A.	PT	Corporate Services MPAC	Ward 50 ANC	100%	0%
Hali, L.	PT	Spatial Planning and Development	Ward 3 DA	100%	0%
Hansen, P.	PT	Infrastructure Services Strategic Development	Ward 10 ANC	80%	20%
Hlekiso, M.	PT	MPAC	PR EFF	57,14%	42,86%
Hoffman, S.M.	PT	Corporate Services	Ward 19 DA	100%	0%
Holmes, V.A.	PT	Spatial Planning and Development	PR DA	92,86%	7,14%
Jaxa, P.	PT	MPAC	Ward 48 ANC	100%	0%

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME (FT) / PART TIME (PT)	COMMITTEES ALLOCATED	*WARD AND/OR PARTY REPRESENTED	PERCENTAGE COUNCIL MEETINGS ATTENDANCE %	PERCENTAGE APOLOGIES FOR NON-ATTENDANCE %
July, T.	PT	Corporate Services and Human Settlement	PR UDM	50%	50%
Kaba, P.	PT	Economic Development and Agencies	PR EFF	50%	50%
Kalani, B.	PT	MPAC Spatial Planning and Development	Ward 27 ANC	100%	0%
Kese-Ndotyi, N.L.	PT	Human Settlement	Ward 38 ANC	100%	0%
Kiki, P.L.	PT	Municipal Services	Ward 6 ANC	100%	0%
Kilimani, N.W.	PT	Health and Public Safety and Emergency Services	Ward 46 ANC	100%	0%
Knoetze, V.D.	PT	Strategic Development	Ward 29 DA	100%	0%
Kodwa-Gajula, Z.	PT	MPAC (Chairperson)	Ward 24 ANC	25%	75%
Kolela, M.C.	PT	IDP and Organisational Performance Management	Ward 25 ANC	50%	50%
Kosani, M.	PT	Economic Development and Agencies	PR DA	92,86%	7,14%
Kumbaca, N.L.N.	FT	Economic Development and Agencies	PR ANC	64,29%	35,71%
Libala, S	PT	Corporate Services	PR EFF	92,86%	7,14%
Lottering, G.M.	FT	Sports, Recreation and Community Development (Chairperson)	PR ANC	100%	0%
Luhadi, N.E.	PT	Spatial Planning and Development	PR EFF	90%	10%
Luzipo, T.I.	PT	Corporate Services	PR DA	75%	25%
Mackley, M.	PT	Spatial Planning and Development	Ward 28 DA	100%	0%
Madikane, M.N.	PT	Infrastructure Services and Institutional Operations and Civic Relations	PR COPE	25%	75%
Mahanjana, D.	PT	Spatial Planning and Development	Ward 43 ANC	85,71%	14,29%
Majeke, A	PT	MPAC	PR DA	92,86%	7,14%
Majeke, K.	PT	Finance	Ward 8 ANC	100%	0%
Makapela, Y.C.	PT	IDP and Organisational Performance Management and Infrastructure Services	PR AIC	25%	75%
Maphuka, S	PT	Health and Public Safety and Emergency Services	Ward 42 ANC	50%	50%
Mapisa, A.	PT	Corporate Services	Ward 8 ANC	75%	25%
Marata, M.N.	FT	Economic Development and Agencies (Chairperson)	PR ANC	92,86%	7,14%
Marwanqa, G.N.	PT	Spatial Planning and Development	PR ANC	100%	0%
Mashiya, M.J.	PT	Economic Development and Agencies Strategic Development and MPAC	PR ATM	90%	10%
Masiki, Y.	PT		PR EFF	70%	30%
Matiwane, C.	PT	MPAC	PR EFF	50%	50%
Matiwane, N.P.	PT	Economic Development and Agencies	Ward 13 ANC	100%	0%
Matwele, S.T.	FT	Health and Public Safety and Emergency Services (Chairperson)	PR ANC	100%	0%

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME (FT) / PART TIME (PT)	COMMITTEES ALLOCATED	*WARD AND/OR PARTY REPRESENTED	PERCENTAGE COUNCIL MEETINGS ATTENDANCE %	PERCENTAGE APOLOGIES FOR NON-ATTENDANCE %
Maxongo, N.	FT	Spatial Planning and Development (Chairperson)	PR ANC	90%	10%
Mcako, M.	PT	Sports, Recreation and Community Development	Ward 34 ANC	100%	0%
McDowell, J.S.	PT	Health and Public Safety and Emergency Services Strategic Development	Ward 18 DA	100%	0%
Mcwabeni, N.	PT	Health and Public Safety and Emergency Services Human Settlement	Ward 15 ANC	90%	10%
Mdinwa, F.Z.	PT	Economic Development and Agencies	PR DA	100%	0%
Mfazwe, M.M.	FT	Infrastructure Services (Chairperson)	PR ANC	90%	10%
Mfene, M.	PT	Corporate Services	Ward 26 ANC	100%	0%
Mhlauli, O.	PT	Corporate Services Strategic Development	Ward 13 ANC	90%	10%
Mhlola, N.M.	FT	Human Settlement (Chairperson)	PR ANC	71,43%	28,57%
Miza, P.K.	PT	MPAC	Ward 3 ANC	75%	25%
Mndi, N.	PT	Spatial Planning and Development	Ward 21 ANC	100%	0%
Mnyute, A.O.	FT	Solid Waste and Environmental Management (Chairperson)	PR ANC	85,71%	14,29%
Moyikwa, N.	PT	Health and Public Safety and Emergency Services	Ward 30 ANC	50%	50%
Mpanza, V.E.	PT	Economic Development and Agencies	Ward 48 ANC	75%	25%
Mpupha, K.H.	PT	Sports, Recreation and Community Development	PR EFF	90%	10%
Mrwebi, V.A.	PT	Strategic Development	Ward 17 ANC	70%	30%
Mtsolo, A.	PT	Human Settlement	PR EFF	100%	0%
Mtya, T.L.	PT	MPAC	Ward 50 ANC	100%	0%
Mtyingizane, Z.	PT	MPAC	Ward 14 ANC	85,71%	14,29%
Mxabanisi-Gakrishe, C.	PT	Finance	Ward 25 ANC	90%	10%
Mzekeli, L.	PT	MPAC	Ward 6 ANC	100%	0%
Nazo-Makatala, P.	FT	Spatial Planning and Development (Chairperson)	PR ANC	100%	0%
Ncotela, N.E.	PT	Infrastructure Services and Spatial Planning and Development	Ward 26 ANC	50%	50%
Neale-May, H.E.	FT	Corporate Services (Chairperson)	PR ANC	92,86%	7,14%
Nelani, P.E.	PT	Corporate Services and Human Settlement	Ward 33 ANC	75%	25%



COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME (FT) / PART TIME (PT)	COMMITTEES ALLOCATED	*WARD AND/OR PARTY REPRESENTED	PERCENTAGE COUNCIL MEETINGS ATTENDANCE %	PERCENTAGE APOLOGIES FOR NON-ATTENDANCE %
Njece, V.	PT	Spatial Planning and Development and Municipal Services	Ward 47 ANC	75%	25%
Nkala, A.	PT	Corporate Services	Ward 49 ANC	100%	0%
Nkungwini, S.	PT	Human Settlement	PR EFF	90%	10%
Nokoyo, A.S.	PT	Sports, Recreation and Community Development	PR EFF	90%	10%
Nombewu, M.B.	PT	Health and Public Safety and Emergency Services	PR ANC	0%	100%
Noyakhe, Z.	PT	Solid Waste and Environmental Management	PR EFF	70%	30%
Ntame, O.	PT	MPAC	PR DA	75%	25%
Ntshebe, N.M.	PT	Corporate Services Municipal Services Solid Waste and Environmental Management	Ward 37 ANC	92,86%	7,14%
Nyusile, M.L.	PT		PR ANC	90%	10%
Peter, N.P.	FT	Municipal Services (Chairperson)	PR ANC	75%	25%
Peter, V.	PT	Institutional Operations and Civic Relations	Ward 32 ANC	100%	0%
Phandliwe, S.	PT	Human Settlement Spatial Planning and Development	Ward 35 ANC	100%	0%
Phethani, A.A.	PT	Sports, Recreation and Community Development	Ward 12 ANC	100%	0%
Pohl, F.C.	PT	Solid Waste and Environmental Management	Ward 28 DA	100%	0%
Pollock, L.	PT	Health and Public Safety and Emergency Services	PR DA	100%	0%
Qali, N.	PT	Infrastructure Services	Ward 16 ANC	90%	10%
Quse, L.M.	PT	Spatial Planning and Development and Finance	PR ACDP	100%	0%
Rademeyer, A	PT	Municipal Services	PR DA	100%	0%
Ralasi, A.	PT		PR ANC	90%	10%
Relu, M.R.	PT	Corporate Services	Ward 16 ANC	75%	25%
Rumbu, S.P.	PT	Economic Development and Agencies Strategic Development	PR EFF	80%	20%
Sabana, N.	PT	Health and Public Safety and Emergency Services	Ward 32 ANC	70%	30%
Sakube, V.V.	PT	Corporate Services and Finance	Ward 22 ANC	100%	0%
Sauli, B.	PT	Corporate Services (Chairperson) MPAC	Ward 36 ANC	100%	0%
Siboyana, V.	PT	Finance Infrastructure Services	PR ANC	100%	0%
Simandla, X.	PT	Human Settlement	Ward 23 ANC	75%	25%

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME (FT) / PART TIME (PT)	COMMITTEES ALLOCATED	*WARD AND/OR PARTY REPRESENTED	PERCENTAGE COUNCIL MEETINGS ATTENDANCE %	PERCENTAGE APOLOGIES FOR NON-ATTENDANCE %
Simon-Ndzele, L.E.	PT	Institutional Operations and Civic Relations and Finance	PR ANC	100%	0%
Skepe, S.G.	PT	Corporate Services	Ward 41 ANC	92,86%	7,14%
Skolo, S.	PT	MPAC	Ward 35 ANC	50%	50%
Skoti, A.J.	PT	Human Settlement Health and Public Safety and Emergency Services	PR UDM	70%	30%
Stemela, N.C.	PT	Spatial Planning and Development	Ward 11 ANC	100%	0%
Stewart, L.A.	PT	Sports, Recreation and Community Development	Ward 4 DA	100%	0%
Swart, C.A.	PT	IDP and Organisational Performance Management	Ward 29 DA	100%	0%
Tempi, T.	PT	Human Settlement Infrastructure Services	Ward 45 ANC	100%	0%
Theron, D.A.	PT	Spatial Planning and Development	PR FFP	100%	0%
Thomas, M.D.	PT	Solid Waste and Environmental Management	Ward 33 ANC	100%	0%
Thwalingca, B.O.	PT	Health and Public Safety and Emergency Services	PR EFF	50%	50%
Tokwe, V.	PT	Infrastructure Services	Ward 34 ANC	100%	0%
Tokwe, Z.P.W.	PT	MPAC	Ward 5 ANC	100%	0%
Toni, S.N.	FT	Infrastructure Services (Chairperson)	Ward 31 ANC	100%	0%
Tsala, S.E.	PT	Institutional Operations and Civic Relations	PR DA	100%	0%
Tshabe, N.E.	PT	Infrastructure Services	PR EFF	85,71%	14,29%
Tutu, M.	PT	Strategic Development	Ward 24 ANC	100%	0%
Tutu, V.	PT	Finance Solid Waste and Environmental Management	PR AIC	78,57%	21,43%
Tyali, Y.	PT	MPAC (Chairperson)	PR ANC	100%	0%
Tyelo, L.	PT	Infrastructure Services	PR DA	75%	25%
Vaaiboom, M.	FT	Economic Development and Agencies (Chairperson)	PR ANC	100%	0%
Vallabh, D.	PT	Economic Development and Agencies	PR DA	92,86%	7,14%
Vitbooi, R.	PT	Human Settlement	Ward 10 ANC	100%	0%
Walton, G.K.	PT	Finance MPAC	PR DA	100%	0%
Wetsetse, M.	PT	Economic Development and Agencies	Ward 9 ANC	57,14%	42,86%
Whittington, N.	PT	Health and Public Safety and Emergency Services Solid Waste and Environmental Management	Ward 30 ANC	100%	0%

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME (FT) / PART TIME (PT)	COMMITTEES ALLOCATED	*WARD AND/OR PARTY REPRESENT-ED	PER-CENTAGE COUNCIL MEETINGS ATTEN-DANCE %	PERCENT-AGE APOL-OGIES FOR NON-AT-TENDANCE %
Witbooi, X.	FT	Institutional Operations and Civic Relations (Chairperson)	PR ANC	100%	0%
Wolose, F.S.	PT	Health and Public Safety and Emergency Services	Ward 47 DA	100%	0%
Wood, B.F.	PT	Finance	PR DA	100%	0%
Yekiso-Morolong, M.C.	PT	Institutional Operations and Civic Relations	Ward 7 ANC	92,86%	7,14%
Yenana-Nonjwu, P.P.	PT	IDP and Organisational Performance Management and Infrastructure Services	Ward 17 ANC	100%	0%
Zonke, K.	PT	Human Settlement	PR DA	92,86%	7,14%

Note: \* Councillors appointed on a proportional basis do not have wards allocated to them.



## **APPENDIX B**

# **Committee and Committee Purpose**

## APPENDIX B

### COMMITTEE AND COMMITTEE PURPOSE

COMMITTEES (OTHER THAN MAYORAL / EXECUTIVE COMMITTEE) AND PURPOSES OF COMMITTEES	
MUNICIPAL COMMITTEES	PURPOSE OF COMMITTEE
CORPORATE SERVICES PORTFOLIO COMMITTEE	<p>To consider and to make recommendations to the Council on the measures necessary including inter alia the following -</p> <ul style="list-style-type: none"> <li>• Industrial relations matters, including to investigate questions relating to job evaluations and the submission thereof to the Industrial Council and to consider measures relating to Conciliation Boards and Industrial Court hearings Manpower planning</li> <li>• Recruitment, selection, remuneration, utilization and development of staff; Occupational Health and Safety and Industrial Health services;</li> <li>• Productivity in the municipal workforce Training and staff development; Employment equity and skills development Employee performance;</li> <li>• Information and technology support services;</li> <li>• Contract management and negotiations in respect of salary increases and fringe benefits; Measures required in respect of the avoidance of strike and other conflict actions;</li> <li>• Policy regarding the appointment of Directors, General Managers and Heads of Departments and confirmation of their appointments; and</li> <li>• Council Support</li> <li>• Auxilliary,Records Management and Decision Tracking</li> </ul>
INSTITUTIONAL OPERATIONS AND CIVIC RELATIONS PORTFOLIO COMMITTEE	<p>To make recommendations to the Executive Mayor pertaining to the formulation of policies, strategies and programmes aimed at increasing equity for vulnerable marginalized or special interest groups, with specific focus on: Young people, the aged, the disabled, gender-related issues, special projects.</p>
MUNICIPAL SERVICES PORTFOLIO COMMITTEE	<p>To consider and make recommendations to the Mayoral Committee on in respect of all environmental services matters as provided for in any relevant legislation and all community matters; to consider all matters under the control of the Director of Community Services, including inter alia the following -</p> <ul style="list-style-type: none"> <li>• Childcare facilities;</li> <li>• Pontoons, ferries, jetties, piers and harbours [excluding the regulation of international and national shipping and matters related thereto];</li> <li>• Beaches and amusement facilities; Cemeteries, funeral parlours and crematoria; Fencing and fences;</li> <li>• Local amenities; Local sports facilities</li> <li>• Municipal parks and recreation</li> <li>• Public places; Horticulture; Libraries;</li> <li>• Halls; and Community Support Centres.</li> </ul>
FINANCE PORTFOLIO COMMITTEE	<p>To formulate recommendations to the Executive Mayor (Mayoral Committee) on financial matters. As an Operational Committee the scope of these financial matters would include considerations of the financial position of Council in terms of the budget from an accrual as well as a cash flow perspective, including inter alia the following –</p> <ul style="list-style-type: none"> <li>• Budget alignment;</li> <li>• Monitoring and budget implementation;</li> <li>• Control measures;</li> <li>• Financial reporting;</li> <li>• Budget management including revenue and expenditure management;</li> <li>• Capital raising; and</li> <li>• Supply Chain management.</li> </ul>

COMMITTEES (OTHER THAN MAYORAL / EXECUTIVE COMMITTEE) AND PURPOSES OF COMMITTEES	
MUNICIPAL COMMITTEES	PURPOSE OF COMMITTEE
BUDGET STEERING COMMITTEE	<p>The Finance Budget Committee will fulfil the following Operational functions.</p> <ul style="list-style-type: none"> <li>• Budget Management Revenue (Including Tariffs Expenditure)</li> <li>• In-year Financial Reporting Control Measures of Budget Implementation Monitoring and Budget Progress</li> <li>• Budget Implementation</li> </ul> <p>It must be emphasized that the interface with the IDP, Budget Strategy and Performance Management Committee is central to the achievement of delivery objectives and must be closely monitored</p>
HEALTH AND PUBLIC SAFETY AND EMERGENCY SERVICES PORTFOLIO COMMITTEE	<p>To consider and make recommendations to the Mayoral Committee on all health and public safety matters of the Metropolitan Municipality including inter alia the following –</p> <ul style="list-style-type: none"> <li>• Air pollution;</li> <li>• Firefighting services;</li> <li>• Municipal health services;</li> <li>• Trading regulations;</li> <li>• Control of public nuisances;</li> <li>• Control of undertakings that sell liquor to the public;</li> <li>• Facilities for the accommodation, care and burial of animals;</li> <li>• Licensing of dogs;</li> <li>• Licensing and control of undertakings that sell food to the public;</li> <li>• Municipal abattoirs;</li> <li>• Noise pollution;</li> <li>• Street trading;</li> <li>• Traffic and parking; and</li> <li>• Disaster management.</li> </ul>
DEVELOPMENT AND SPATIAL PLANNING PORTFOLIO COMMITTEE	<p>To make recommendations to the Mayoral Committee and Council on transportation, town and regional planning, architectural, land survey and land administration matters allocated to it and to report and make recommendations thereon to the Council and to investigate strategic land and property use, including inter alia the following –</p> <ul style="list-style-type: none"> <li>• Building regulations and control</li> <li>• Municipal planning</li> <li>• Billboards and the display of advertisements in public places</li> <li>• Spatial planning, Spatial Development Frameworks and precinct plans</li> <li>• Architectural services</li> <li>• GIS Mapping</li> <li>• Regional / District/ Precinct management Spatial norms and standards enforcement</li> <li>• Land use management</li> <li>• Property management</li> <li>• Municipal valuations</li> </ul>
INFRASTRUCTURE SERVICES PORTFOLIO COMMITTEE	<p>To consider and to make recommendations on all matters affecting the civil engineering and electrical infrastructure, associated designs and mechanical and scientific services , including inter alia the following –</p> <ul style="list-style-type: none"> <li>• Air pollution;</li> <li>• Electricity and gas reticulation; Municipal airports;</li> <li>• Municipal public works Storm water management systems;</li> <li>• Water and sanitation services limited to potable water supply systems and domestic waste water and sewage disposal</li> <li>• Municipal public transport systems; Cleansing;</li> <li>• Municipal roads;</li> <li>• Refuse removal, refuse dumps and solid waste disposal; Street lighting; and</li> <li>• Traffic and parking</li> <li>• Fleet management and maintenance</li> <li>• Scientific services</li> <li>• Built environment with the exception of town planning building control</li> </ul>



COMMITTEES (OTHER THAN MAYORAL / EXECUTIVE COMMITTEE) AND PURPOSES OF COMMITTEES	
MUNICIPAL COMMITTEES	PURPOSE OF COMMITTEE
IDP AND ORGANISATIONAL PERFORMANCE MANAGEMENT PORTFOLIO COMMITTEE	To oversee on behalf of the Executive Mayor the process of integrated development planning (strategic planning) in Buffalo City, including annual reviews of the IDP, and to make recommendations to the Executive Mayor in this regard in terms of Chapter 5 of the Municipal Systems Act and Section 56 of the Municipal Structures Act.
ECONOMIC DEVELOPMENT AND AGENCIES PORTFOLIO COMMITTEE	To assist the Executive Mayor in ensuring that the economic development including rural development of the whole community of Buffalo City is promoted (Sections 152 & 153 of the Constitution), including inter alia the following:- <ul style="list-style-type: none"> <li>• Facilitate job creation</li> <li>• Promote the development of small, medium and micro-enterprises</li> <li>• Market the municipality holistically</li> <li>• Promote and facilitate rural development Arts and culture and Heritage Activities</li> <li>• Municipal public transport</li> <li>• Street trading</li> </ul>
HUMAN SETTLEMENTS PORTFOLIO COMMITTEE	To make recommendations to the Mayoral Committee and Council on housing matters allocated to it and to report and make recommendations thereon to the Council and to investigate strategic use of housing resources.
SOCIAL FACILITATION COMMITTEE	To consider Councillors welfare and matters related thereto.
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	The purpose of the Municipal Public Accounts Committee is to strengthen the oversight arrangements in the municipality and to ensure the efficient and effective use of municipal resources. Consider and evaluate the content of the annual report and make recommendations to Council when adopting an oversight report on the annual report as required in terms of section 121 of the Local Government: Municipal Finance management Act and Circular no 32 issued by the Minister of Finance.
AUDIT COMMITTEE	The primary purpose of the Audit Committee is to assist the Council discharge its responsibility in maintaining and applying appropriate accounting and financial reporting processes and procedures as well as maintaining effective risk management and internal controls.
REMUNERATION COMMITTEE	To examine information provided to the Committee dealing with the total remuneration package of all Section 57 Managers including the City Manager.
RULES COMMITTEE	To determine the standing rules and orders of procedure for the Council.



# APPENDIX C

## Third Tier Administrative Structure

## APPENDIX C

### THIRD TIER ADMINISTRATIVE STRUCTURE

THIRD TIER STRUCTURE	
DIRECTORATE	DIRECTOR/MANAGER (TITLE AND NAME)
Municipal Manager	Mr Andile Sihlahla
Executive Support Services	Ms Ncumisa Sudukwana
Corporate Services	Mr Bob Naidoo
Economic Development And Agencies	Ms Noludwe Ncokazi
Infrastructure Services	Mr Nceba Ncunyana
Solid Waste And Environmental Management	Ms Yoliswa Sinyanya
Health, Public Safety And Emergency Services	Mr Vuyani Lwana
Finance Services	Mr Ntsikelelo Sigcau
Spatial Planning And Development	Mrs Nonceba Mbali-Majeng
Human Settlement	Mr Luyanda Mbula
Sport, Recreation And Community Development	Mr Howard Sikweza (Acting)



## **APPENDIX D**

# **Functions of Municipality / Entity**

## APPENDIX D

## MUNICIPAL POWERS AND FUNCTIONS

MUNICIPAL / ENTITY FUNCTIONS		
MUNICIPAL FUNCTIONS	FUNCTION APPLICABLE TO MUNICIPALITY (YES / NO)*	FUNCTIONS APPLICABLE TO THE ENTITY (BCMDA)
Constitution Schedule 4, Part 4 functions		
Air Pollution	Y	
Building regulations	Y	
Child care facilities	Y	
Electricity and gas reticulation	Y	
Firefighting services	Y	
Local tourism	Y	Y
Municipal airports	N	
Municipal planning	Y	
Municipal health services	Y	
Municipal public transport	Y	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Y	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto.	Y	
Storm water management systems in built-up areas	Y	
Trading regulations	Y	
Water and sanitation services limited to potable water supply and domestic waste-water and sewage disposal systems	Y	
Beaches and amusement facilities	Y	
Billboards and the display of advertisements in public places	Y	
Cemeteries, funeral parlours and crematoria	Y	
Cleansing	Y	
Control of public nuisances	Y	
Control of undertakings that sell liquor to the public	Y	
Facilities for the accommodation, care and burial of animals	Y	
Fencing and fences	Y	
Licensing of dogs	Y	
Licensing and control of undertakings that sell food to the public	Y	
Local amenities	Y	
Local sport facilities	Y	
Markets	Y	Y
Municipal abattoirs	Y	
Municipal parks and recreation	Y	
Municipal roads	Y	
Noise pollution	Y	
Pounds	Y	
Public places	Y	

MUNICIPAL / ENTITY FUNCTIONS		
MUNICIPAL FUNCTIONS	FUNCTION APPLICABLE TO MUNICIPALITY (YES / NO)*	FUNCTIONS APPLICABLE TO THE ENTITY (BCMDA)
Refuse removal, refuse dumps and solid waste disposal	Y	
Street trading	Y	
Street lighting	Y	
Traffic and parking	Y	
*If municipality: indicate (yes or No), * If entity: Provide name of entity		TD





# **APPENDIX E**

## **Ward Reporting**

## APPENDIX E

## WARD REPORTING

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
1	<b>Cllr Kuhle Ciliza</b>	Yes	0		0
	Kolonza Janine			00	
	Dumani Ziyanda			00	
	Mabentsela Nomsa			00	
	Mkhaba Zikhona			00	
	Nase Phakama			00	
	Rewu Pasijo			00	
	Tilongo Babalwa			00	
	Stofile Charlen Elizabeth			00	
	Vela Linda			00	
	Zabeko Nomfundo			00	
2	<b>Cllr Ntombizandile M Mhlola</b>	Yes	3		0
	Gobozi Nomawethu			00	
	Tamsanqa Vithi			00	
	Maliwa Mzoli			00	
	Mklangeni Nkwenkwana Alfred			00	
	Nogwina Sisa Sherpard			00	
	Ngwetsheni Neziswa			00	
	Andile Nqwaba			00	
	Zwelifile Bongive			00	
	Xapha Sphelo			00	
	Qoqwana Nomzamo			00	
3	<b>Cllr Pindile K. Miza</b>	Yes	0		0
	Kelele Nontutuzelo			00	
	Maganda Vuyolwethu			00	
	Majiki Nolindo			00	
	Mananga Noluvo			00	
	Mtshawuli O. Nomsa			00	
	Mtshawulana L. Nozipho			00	
	Ndlhovu Vusumuzi			00	
	Jiba Prudence			00	
	Mlulami Mnyapa				
4	<b>Cllr Annastasia M.c Botha</b>	Yes	0		0
	Charlie Thanduxolo			00	
	Baynes A.J Elizabeth			00	
	Coetzer Riona Catherien			00	
	Fokwebe Nontuthuzelo Prunah			00	
	Hashe Busisiwe			00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
	Neithercut Rosemary			00	
	Sagqu Kholekile			00	
	Voster Annette			00	
	Mbambo Sango.L			00	
	Lynch Wade			00	
<b>5</b>	<b>Cllr Zandisile Tokwe</b>	<b>Yes</b>	<b>4</b>		<b>0</b>
	Jali Mkululeki			00	
	Mosteko Phindile			00	
	Malgas Ntobeko Terry			00	
	Fulela Nokuzola C.			00	
	Sicelo Manyi			00	
	Mbene Khumbuza			00	
	Jose Fundiswa			00	
	Mboyane Mavis			00	
	Ntlama Xabisa. L			00	
	Mbangata Lungile			00	
<b>6</b>	<b>Cllr Lixolile P. Kiki</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Spalding Gerendra Pedro			00	
	Boesak Gerendra Pedro			00	
	Buyane Nonzingiso Theodora			00	
	Faku Thanduxolo Joseph			00	
	King Nikita			00	
	Makotyana Nkuluyakhe			00	
	Mehlo Lunga			00	
	Nkwenkwanazamekile			00	
	Xolile Sibulo			00	
	Phinda Liwani			00	
<b>7</b>	<b>Cllr Clara Morolong-Yekiso</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Nongogo Micheal L.			00	
	Deki Nombeko. E			00	
	Loliwe Ntsikelelo			00	
	Jam – Jam Matu			00	
	Gqokoza Lindiwe			00	
	Khewane Zoliswa			00	
	Magopeni Ntombizamantuli. P			00	
	Mthotywa Zukile			00	
	Sizani Florance			00	
	Tenana Bulelwa			00	
<b>8</b>	<b>Cllr Ayanda Mapisa</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Khulile Jacobs			00	
	Gqate Simphiwe			00	
	Kobo Sibongile			00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
	Mabombo Noxolo			00	
	Mafanya Thabisa			00	
	Ngamntwini Isaac			00	
	Qamra Nosisa			00	
	Salimani Ludumo			00	
	Siko Phakamile			00	
<b>9</b>	<b>Cllr Mendi Wetsetse</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Duma Sithembele			00	
	Lukashe Vuyiswa			00	
	Lusaseni Ludumo			00	
	Mbuto Endy			00	
	Rayi Nompumelelo			00	
	Vengadajellum Collin Eric			00	
	Dlaki Vani			00	
	Sipho Vitshima			00	
<b>10</b>	<b>Cllr Roseline Vitbooi</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	France Notosi. A			00	
	Ganati Thembalethu.M			00	
	Hans Pearl			00	
	Limane Yandiswa			00	
	Mgxwati Nwabisa			00	
	Micheals Getrude			00	
	Ralasi Amanda			00	
	Fritz Esmé			00	
	Desmond Davis (Resigned)			00	
	Andisiwe Nkathazo (Replaced)			00	
<b>11</b>	<b>Cllr Mashwabada Gcilishe</b>	<b>Yes</b>	<b>1</b>		<b>0</b>
	Bali-Tyokom Yandiswa. V			00	
	Gola Nokubonga			00	
	Jilingisi Xolelwa, F			00	
	Mnxeba Banele			00	
	Mbange Linda.P			00	
	Mbolekwa Asanda			00	
	Mketo Anda			00	
	Nyathela Gerald			00	
	Qoni Vuyelwa			00	
	Sambane Nokwanda. S			00	
<b>12</b>	<b>Cllr Gwebile Lennox Gosani</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Baka Mntunzima			00	
	Baduza Ayanda			00	
	Dungu Khuliswa			00	
	Hilita Lumnka			00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
	Ngxovu Xoliswa			00	
	Vokozela Nontobeko.P			00	
	Nqini Khayaletu			00	
	Mkwayi Phumzile Joni			00	
	Mfene Phindile			00	
	Ngesi Lulama			00	
<b>13</b>	<b>Cllr Nokulunga Portia Matiwane</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Bodlani Luyanda			00	
	Dyabana Nomthandazo			00	
	Gomba Fuzile.P			00	
	Ngemntu Nomfuku P			00	
	Sam Makhi			00	
	Tyeni Odwell Odwa			00	
	Vuso Zoleka			00	
	Zemini Phindilisile			00	
	Kofi Butise.R			00	
	Dyabana Nomthandazo			00	
<b>14</b>	<b>Cllr Zininzi Mtyingizane</b>	<b>Yes</b>	<b>6</b>		<b>0</b>
	Guwa Nombongo			00	
	Mafarana Nothemba			00	
	Mtyeku Amanda Ndileka			00	
	Ndlandla Ncedo Joseph			00	
	Ngemntu Nandipha			00	
	Ngodwana Aphiwe			00	
	Simandla Nomvuyo			00	
	Tumtumana Nosiseko			00	
	Zwelibanzi Qondani			00	
	Vuyokazi Menqe			00	
<b>15</b>	<b>Cllr Makhaya Bopi</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Bartman Menti Ali			00	
	Daka Nomnokelelo			00	
	Lungani Nolonwabo			00	
	Mditshwa Lizo			00	
	Mxenge Sipiwo Clifford			00	
	Nogwanya Mzwanele Nicholas			00	
	Sikhander Coopoo			00	
	Tshaka Masixole			00	
	Simayile Fezeka Marcia			00	
<b>16</b>	<b>Cllr Mzukisi Rodgers Relu</b>	<b>Yes</b>	<b>2</b>		<b>0</b>
	Bottoman Nomfanelo Eunice			00	
	Jiba Lawrence Bungaliphel			00	
	Ncedani Nolusindiso Vivienne			00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
	Ngunuza Mxolisi Cornelius			00	
	Panda Siyabonga			00	
	Tshali Nomphele			00	
	Tyityi Nobonile Priscilla			00	
	Xelo Nomiki Elda			00	
	Ncedani Nolusindiso Vivienne			00	
	Vacant				
<b>17</b>	<b>CIlr Pumla Yenana-Nonjwu</b>	<b>Yes</b>	<b>4</b>		<b>0</b>
	Ndlazi Victoria			00	
	Blankete Ntombomzi Albertina			00	
	Jacobs Vuyelwa Valencia			00	
	Lishwa Ntombentshwa Lizette			00	
	Febane Zikhona			00	
	Maqukanya Sandiswa			00	
	Matiti Sibongile			00	
	Mgwayi Nkululeko Lenin			00	
	Mzamo Sandile			00	
	Mxalisa Sandile			00	
<b>18</b>	<b>CIlr Jason Scott Mcdowell</b>	<b>Yes</b>	<b>6</b>		<b>0</b>
	Badenhorst Kathleen Joan			00	
	Carter Alan Robert			00	
	Cunningham Haldene Walter			00	
	Keil Beryl			00	
	Nikelo Buhle			00	
	Valerie Viljoen			00	
	Susan Merle Holmes			00	
	Van Scheltema Gerhard Jan			00	
<b>19</b>	<b>CIlr Derek Green</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Jabavu Nompumelelo			00	
	Lessing Catherine Lorrain			00	
	Mpafi Chumasanda			00	
	Schroeder Rosemary Anne			00	
	Sterling Anthony Hung			00	
	Vincana Nomsitelo Christina			00	
	Sandra Pijoo			00	
	Thabang Sejosengoe			00	
	Qapa Nomfundo			00	
	Panyana Tandile Anele Cuito			00	
<b>20</b>	<b>CIlr Ntombizodwa Gamnca</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Kratshi Xoliswa Portia			00	
	Thandile Lewis Luthi			00	
	Mbenge Tumeka			00	



WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
	Mbina Noskhumbuzo			00	
	Ndzandza Lamlizwe Lawrence			00	
	Ngqame Xoliswa D Motete			00	
	Ntsangani Mawethu			00	
	Vanto Thembinkosi Jeffry			00	
	Mlungwana Yonela			00	
	Nothemba Matinise			00	
<b>21</b>	<b>Cllr Mpumelelo Fini</b>	<b>YES</b>	<b>2</b>		<b>0</b>
	Bangani Jongile			00	
	Fundani Lindile			00	
	Maphukatha Zolile			00	
	Mashibini Nonani			00	
	Matyalana Vuyani			00	
	Sinyabi Simphiwe.A. T			00	
	Sityebi Nopololo			00	
	Xakatha Phindile			00	
	Ziniko Newton			00	
<b>22</b>	<b>Cllr Veliwe Vivienne Sakube</b>	<b>Yes</b>	<b>1</b>		<b>0</b>
	Booi Sabelo			00	
	Fakidolo Vuyisile			00	
	Lumbe Mfundo. S. S			00	
	Mapuko Faniswa. S			00	
	Mayo Nosicelo Agnes			00	
	Mdlamnkomo Mildred Ntombizodwa			00	
	Phonoyi Cikizwa			00	
	Qamaraha Yoliswa Eunice			00	
	Tapi Petido Nonzwakazi			00	
	Xelo Zoleka Brycena			00	
<b>23</b>	<b>Cllr Xolani Simandla</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Juzayo Khaulezile Maxwell			00	
	Mama Pumla Pamela			00	
	Mancam Mluleki Alfred			00	
	Matinise Mvuseleli Sam			00	
	Mbambisa Vuyelwa			00	
	Mgcuwa Lindile Ian			00	
	Snobolo Nolutando			00	
	Yawathi Nomphele Monalisa			00	
	Robsin Maria Nomthandazo			00	
	Komani Welcom Xolisa			00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
24	<b>Cllr Zameka Kodwa-Gajula</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Mlota Phumla			00	
	Botile Nontembeko			00	
	Hlalu Joseph			00	
	Zindlu Thabisa			00	
	Mboyi Veliswa			00	
	Soha Pumla			00	
	Mndi Nkosinathi			00	
	Hakula Prudence Lungiswa			00	
25	<b>Cllr Mthetheleli Crosby Kolela</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Dyantye Mbuyiselo July			00	
	Kalipa Winnie William			00	
	Lekonyana Tseliso Ernest			00	
	Mabece Nomandithini Irene			00	
	Mooi Lindile			00	
	Mpaku Ntombizanele Getrude			00	
	Nojoko Skhumbuzo			00	
	Poni Thembinkosi Eric			00	
26	<b>Cllr Ntunkulana Elliot Ncotela</b>	<b>Yes</b>	<b>2</b>		<b>0</b>
	Bakumeni Siyanda			00	
	Cimani Ndileka			00	
	Matshini Gcinikhaya Samuel			00	
	Mfene Monde			00	
	Mfene Sisonke			00	
	Magumasholo Mkhululi			00	
	Ratshi Thabisa			00	
	Tapile Gcobisa			00	
	Wexu Nomarutwana Nocawe			00	
27	<b>Cllr Boy-Boy Kalani</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Dalasile Siko Sedwick			00	
	Jita Xolisa Paul			00	
	Lizole Maninjwa			00	
	Mpofu Zimasa			00	
	Ropo Themba			00	
	Thunyiswa Derrick			00	
	Veto Nosicelo Volconia			00	
	Bongeka Sdumo			00	
	Kiswa Ntikohlanga			00	
	Nanfazi Maninjwa (Deceased) Nosibulelo Mbande (Replaced)			00 00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
28	<b>Cllr Marion Mackly</b>	<b>Yes</b>	<b>5</b>		<b>0</b>
	Gungu Brenda Pamella			00	
	Proud Seton John			00	
	Wildeman William Eugen			00	
	Smith Shane Selwin			00	
	Mike William			00	
	Gail Cousin			00	
	Hendrick Smit			00	
	Lance Wayer			00	
	Carol Wayer			00	
	Sharonne Dewing			00	
29	<b>Cllr Christiaan A. Swart</b>	<b>Yes</b>	<b>3</b>		<b>0</b>
	Swart Cornelius Johannes			00	
	Els Dewald			00	
	Knoetze Dewald			00	
	Knoetze Valerie Dawn			00	
	Mclaren Michael			00	
	De Reuck Russell Wayne			00	
	MIKE Mclaren			00	
	Cristopher Sunjka (Resigned) Oliphant Everhardt Heindrich (Replaced)			00 00	
30	<b>Cllr Nomonde Moyikwa</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Ntombizanele Biyo			00	
	Kalimashe Nomakula			00	
	Bavuma Nombuyiselo			00	
	Magubhen Lulama Vesta			00	
	Twalingca Bennet Khayalandile			00	
	Mazaleni Mbaso			00	
	Mqolombeni Vuyiswa			00	
	Valentiya Nomzamo			00	
Mnyamana Thembinkosi			00		
31	<b>Cllr Sindile Toni</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Joni Yongama Bernett			00	
	Dingani Nondakutini Patience			00	
	Dyokwe Kadephi Elliot			00	
	Kalikeneni Abongile			00	
	Mbinda Gloria Nontuthuzelo			00	
	Mkobeni Bonisile			00	
	Nozewu Mayenzeke Otto			00	
	Simayile E Libele			00	
	Dyantiy Vuyisile			00	
	Nowakhe Mahlathi (Resigned) Vuyisile Keswa (Replaced)			00 08	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
32	<b>Cllr Vuyani Peter</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Gaula Ntombentsha Veronica			00	
	Kondlo Luyanda Valencia			00	
	Kula Lubabalo			00	
	Makatsi Bongani Bethuell			00	
	Mgangqa Mzolisi Elliot			00	
	Mjekula Sindiswa Cynthia			00	
	Pinapi Asanda Nomnikelo			00	
	Tokwe Lydia			00	
	Tshabeni Bulelwa Patricia			00	
	Vakele Eunice			00	
33	<b>Cllr Putumile Enoch Nelani</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Damane Mbuyiseli Ivan			00	
	Dyakopu Boniwe			00	
	Fudumele Nomsa			00	
	Jovana Pozisa			00	
	Mgqibelo Neliswa Olivia			00	
	Ntona Nomveliso Victoria			00	
	Nyangwa Nontembeko Precious			00	
	Yelani Vukile Advocate			00	
	Rungqu Vuyisile			00	
	Nonqonqotho Zoleka			00	
34	<b>Cllr Vuyo Tokwe</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Jafta Cacisa			00	
	Makalima Linda			00	
	Mangxola Phumzile			00	
	Mapete Bulelwa Ida			00	
	Qolo Khanyisa Beauty			00	
	Sishuba Nonyameko Zukiswa			00	
	Tsana Vuyiswa			00	
	Vuyokazi Jonas			00	
	Payne Nombulelo Phillis			00	
	Nosisi Ngalo			00	
35	<b>Cllr Siyabonga Skolo</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Magqaza Simpiwe			00	
	Hlabi Siphukhanyo			00	
	Melane Sikhululwe			00	
	Noyila Nolubabalo Cecilia			00	
	Seyisi Ndodana Matthews			00	
	Tsewu Sindile Benwell			00	
	Dingeni Lindelwa Annastacia			00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
	Tyhopo Mveli			00	
	Mlindazwe Siphosethu			00	
	Lizo Stuurman			00	
<b>36</b>	<b>Cllr Bongiwu Sauli</b>	<b>Yes</b>	<b>1</b>		<b>0</b>
	Bhethe-Jillili Thenjiwe Jane			00	
	Joyisi Sonwabo Livingstone			00	
	Mangwana Jongintshaba Enoch			00	
	Somnono Lungile			00	
	Ngesi Nomvuyiso Gladys			00	
	Sopotela Veliswa Faith			00	
	Stofile Luyanda			00	
	Twebe Ntombesizwe Elizabeth			00	
	Zadunge Boniswa Cynthia			00	
	Kilani Alfred			00	
<b>37</b>	<b>Cllr Ntombekhaya Ntshebe</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Bomvana Thandiwe Antoncia			00	
	Mawu Nomana Gladys			00	
	Gezar Mziwakhe Mkhulu			00	
	Gwarube Nodutywa Catherine			00	
	Ndlumbini Fuzeka Lenah			00	
	Ntsindelo Phillip			00	
	Nokrawuz Phumezo			00	
	Nontshinga Somila			00	
<b>38</b>	<b>Cllr Ntombomzi Ndotyi</b>	<b>Yes</b>	<b>3</b>		<b>0</b>
	Dayimani Khumbuzile David			00	
	Fama Sinxolo			00	
	Kepe Manelisi Callcius			00	
	Mazuza Nikiwe Caroline			00	
	Mcitakali Zibele			00	
	Mhlantla Vuyiswa Ethel			00	
	Moni Noluthando			00	
	Nkantini Nomzingiso			00	
	Yankela Sali (Contract Terminated)			00	
	Mphumzi Euphras Nini (Replaced)			00	
<b>39</b>	<b>Cllr Bongani Dyonase</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Vimbayo Simphiwe			00	
	Yakobi Nondumiso Yakobi			00	
	Smith Melvin			00	
	Thembalekhaya Smanga			00	
	Habana Thembinkosi			00	

WARD NAME (NUMBER)	NAME OF WARD COUNCILLOR AND ELECTED WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTERLY PUBLIC WARD MEETINGS HELD DURING YEAR
	Kunelisi Malibongwe			00	
	Chumani Manana			00	
	Thembisa George			00	
<b>40</b>	<b>Cllr Kholiwe Themla Faku</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Bawushani Lulama			00	
	Feni Bukiwe			00	
	Josi Nomthandazo			00	
	Kate Luyolo			00	
	Mgwaty Phelisa			00	
	Mxoli Nomangesi			00	
	Ngantweni Mnoneleli			00	
	Nontshinga Xola Sydney			00	
	Yobo Sindiswa			00	
	Nakase Thabo			00	
<b>41</b>	<b>Cllr Sindiswa Skepe</b>	<b>Yes</b>	<b>1</b>		<b>0</b>
	Kewuti Lindela			00	
	Magqaza Pumlani Douglas			00	
	Mini Agnes			00	
	Ngoku Nandipha Ethel			00	
	Ngwane Sisa Lawrence			00	
	Nonyanda Thozeka Monica			00	
	Tyilo Makhaya			00	
	Mangali Vumeka Winky			00	
	Sizani Zukiswa			00	
	Bulwana Nokuzola			00	
<b>42</b>	<b>Cllr Senduku Maphuka</b>	<b>Yes</b>	<b>2</b>		<b>0</b>
	Gobinduku Nonkqubela			00	
	Jack Linda			00	
	Koyana Tandikaya			00	
	Lusu Albertina Kholeka			00	
	Mkanyelwa Ntombizakhe			00	
	Ntlongweni Nondumiso			00	
	Ntontela Pheleka			00	
	Sobetwa Nolundi			00	
	Stuurman Thandiswa			00	
	Semekazi Ngcingane Gcobani			00	
<b>43</b>	<b>Cllr Dumisani Mahanjana</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Bontsi Zoleka Angel			00	
	Hasi Zukiswa			00	
	Jho Ntombekhaya Felicia			00	
	Komana Noncedo			00	
	Manqinini Diliza			00	



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	Mapisa Nonkululeko Florance			00	
	Nogqala Micheal Linda			00	
	Dyakopu Sivenathi			00	
<b>44</b>	<b>Cllr Sixolisiwe Ntsasela</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Mase Feziwe			00	
	Ndala Nozintombi Virginia			00	
	Nontsendwana Yanga			00	
	Nqgumaza Aviwe			00	
	Qaba Mawethu			00	
	Sithungu Doris Nokutembela			00	
	Winnar Tully Samantha			00	
	Yawa Thozama			00	
	Newton Monica Luleka			00	
<b>45</b>	<b>Cllr Thulani Temp</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Bangushe Welekazi Felicia			00	
	Dyele Thembakazi			00	
	Gidimi Mluleki Jeffery			00	
	Gxabalashé Aretha Viwe			00	
	Mgqaliso Rebecca Nombulelo			00	
	Nako Nombulelo Florance			00	
	Nkunjana Olwethu			00	
	Tanana Lumko			00	
	Yekani Nomphele			00	
	Victor Sam Songezo			00	
<b>46</b>	<b>Cllr Nceba Kilimani</b>	<b>Yes</b>	<b>2</b>		<b>0</b>
	April Zinakile Jeffrey			00	
	Galimoya Nomthandazo			00	
	Gweje Nondumiso			00	
	Leni Nokuzola Leni			00	
	Maloyi Siphokazi Theresa			00	
	Mbalane Owethu			00	
	Ndondo Nokuzola Florence			00	
	Nkontso Khungeka			00	
	Saba Temleton Mpumelelo			00	
<b>47</b>	<b>Cllr Vusumzi Njece</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Ngubo Nonzwakazi Norah			00	
	Bangani Danny			00	
	Kentane Bongwe			00	
	Kose Ntombekaya			00	
	Bulelani Pike			00	
	Myekeni Kulushe Victoria			00	

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	Tyatyeka Mphilisi ( Resigned) Mzuzile Hako (Replaced)			00 00	
	Rwayi Abulele Xhati (Deseased) Luthando Magangana (Replaced)			00 00	
	Sifenengu Nkosinathi			00	
	Dama Zingisile			00	
<b>48</b>	<b>Cllr Vuyiswa Mpaza</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Zukiswa Tshotyana			00	
	Tembelani Nikiwe			00	
	Bota Mlamli			00	
	Nguqu Tabata			00	
	Nothuthela Vuyiswa			00	
	Ntsikelelo Sirunu			00	
	Xolani Ngamlana			00	
	Ntutela Andile			00	
	Simka Thembela			00	
<b>49</b>	<b>Cllr Mfundo Bota</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Katsana Siyathemba			00	
	Majwabi Ntozakhe			00	
	Matamo Ntombokuqala Joyce			00	
	Mbentse Letitia Nokuzola			00	
	Menzela Stanley Lungile			00	
	Ngalonkulu Zandisile			00	
	Boma Fikiswa Monica			00	
	Gqogqa Sindiswa Florancer			00	
	Gweshana Lungisani			00	
<b>50</b>	<b>Cllr Thobile Mtya</b>	<b>Yes</b>	<b>0</b>		<b>0</b>
	Dyele Sithembiso			00	
	Gqamlana Sindile David			00	
	Makeleni Vuyokazi			00	
	Mantlozana Mandla			00	
	Matelise Thembisile			00	
	Bangani Archibeld Mziwanele			00	
	Duyu Noxolo			00	
	Ndevu Mxoleli Patric			00	
	Tweni Yonela			00	
	Mgabala Ntombhlobo			00	

*NB: Appendix E was populated according to the Proof of Evidence submitted which is Attendance Registers and Minutes of the meetings held. Meetings confirmed without proof of evidence are not registered. Due to Disaster Management Act Regulations during Covid 19 lockdown, large gatherings were prohibited which resulted in cancelling ward general meetings. In trying to minimize and mitigate the spread of Coronavirus, ward committee members were stopped to submit hard copies of the monthly reports to the office. Hence, there were no submission made from July 2020 to June 2021 during Covid 19 lockdown.*



# APPENDIX F

## Ward Information

## APPENDIX F

## WARD INFORMATION

Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in Year 0 (Full List at Appendix O)				
R' 000				
No.	Project Name and detail	Start Date	End Date	Total Value
	MV SWITCHING STATION - RC=COASTAL	15/07/2020	30/06/2021	24 980 300
	ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT PROGRAMME	15/07/2020	30/06/2021	6 195 353
	ELECTRIFICATION OF INFORMAL DWELLING AREAS - BCMM	15/07/2020	30/06/2021	4 648 612
	ELECTRIFICATION OF INFORMAL DWELLING AREAS - BCMM	15/07/2020	30/06/2021	7 999 816
	MV SWITCHING STATION - RC=COASTAL	15/07/2020	30/06/2021	13 905 560
	HV TRANSMISSION CONDUCTOR - RC=COASTAL	15/07/2020	30/06/2021	27 396 391
	LV NETWORK - RC=COASTAL	15/07/2020	30/06/2021	14 299 158
<i>T F.1</i>				

BASIC SERVICE PROVISION					
DETAIL	WATER	SANITATION	ELECTRICITY	REFUSE	HOUSING
Households with minimum service delivery			132,423		
Households without minimum service delivery			37,459		
Total Households*			169,882		
Houses completed in year 2021/2022		468			
Shortfall in Housing units		108,000			
*Including informal settlements					

*T F.2*

TOP SERVICE DELIVERY PRIORITIES FOR WARD (HIGHEST PRIORITY FIRST)		
NO.	PRIORITY NAME AND DETAIL	PROGRESS DURING YEAR 2021/22
1	Electrification of formal and informal dwelling meeting the electrification guidelines	1,000 new connection completed
2	Street lighting in BCMM area of supply	222 new energy efficient lights installed

*T F.3*



# **APPENDIX G**

## **Recommendations of the Municipal Audit Committee**

## APPENDIX G

## RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2021/2022

MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS		
DATE OF COMMITTEE	COMMITTEE RECOMMENDATIONS DURING 2021/2022	RECOMMENDATIONS ADOPTED (ENTER YES) IF NOT ADOPTED (PROVIDE EXPLANATION)
Audit Committee Meeting – 26 August 2021	2	1-Work-in-Progress 1-Pending
Audit Committee Meeting – 22 October 2021	2	1-Yes 1-Pending
Audit Committee Meeting – 28 January 2022	5	2-Yes 2-Work-in-Progress 1-Pending
26 April 2022	1	1-Yes





# APPENDIX H

## Long Term Contracts and Public Private Partnerships

## APPENDIX H

### LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

NB. No long term contracts entered into during 2021/2022 financial year. TH1



# **APPENDIX I**

## **Municipal Entity Service Provider Performance Schedule**

## APPENDIX I

## MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE (BCMMDA)

SERVICE INDICATORS / SERVICE TARGETS	YEAR 0 ( 2019-20)	YEAR 1 (2020-2021)	YEAR 2 ( 2021-2022)	YEAR 3 (2022 -2023)	ACTUAL	TARGET
1. Commencement of project planning and execution at Water World.	Phase 1: Earthworks, Landscaping, Paving and beautification, Slides & recreational furniture installed.	Contractor appointed & site handover certificate awarded. The contractor assumed duties in February. The site clearance and various investigations of bulk services also commenced.	Phase 1: Construction of Water World 25% completion.	Phase 1: upgrading completion at Water World.	Phase 1 of Water World is at 62% completed. Some of the key notable deliverables thus far include: <ul style="list-style-type: none"> <li>100 % completion off bulk earthworks</li> <li>95% completion of sewer work</li> <li>92% completion of electrical underground services</li> <li>55% completion of hawker stalls</li> </ul>	Phase 1: Upgrading completion at Water World.
2. Commencement of project planning & execution at Court Crescent (Beachfront precinct development programme) <sup>1</sup>	Phase 1: Landscaping, Paving & beautification, Urban furniture and art installed.	Contractor appointed & site handover certificate awarded. The contractor assumed duties in February. The site clearance and various investigations of bulk services also commenced.	Phase 1: Upgrading of Court Crescent 20% completion.	Phase 1: upgrading completion at Court Crescent.	Phase 1 of Court Crescent is at 60% completed. This is comprised of 90 % of the roads work being completed and 40% of the park. Some of the key notable deliverables thus far include: <ul style="list-style-type: none"> <li>Completion of John Bailee Rd, phase 1 Moor Str, Aquarium Rd, phase 1 Esplanade Rd,</li> <li>Commencement of bulk earthworks for the park.</li> <li>Landscaping for the open-air theatre.</li> </ul>	Phase 1: Upgrading of Court Crescent 20% completion.
						Phase 2: Water World Hotel Development – deal conclusion and planning. Water World Hotel - site hand over and project implementation .
						Phase 2: Water World Hotel Development – deal conclusion and planning. Water World Hotel - site hand over and project implementation .
						Phase 2: Implementation of 25% phase 2 of Beachfront Precinct development Programme.

<sup>1</sup> The Court Crescent development is part of the Beachfront Precinct Development Programme. The Programme comprises the entire Esplanade development from Eastern Beach to Orient Theatre.

SERVICE INDICATORS / SERVICE TARGETS	YEAR 0 (2019-20)	YEAR 1 (2020-2021)	YEAR 2 (2021-2022)	YEAR 3 (2022 -2023)	ACTUAL	TARGET	ACTUAL	TARGET
3. Implementation of a Waste Management Programme with DEA / DEFF	TARGET Implementation of Waste Management Programme with DEA / DEFF	ACTUAL 198 participants actively working in 8 sites across the metro.	TARGET Implementation of Waste Management Programme with DEA / DEFF	ACTUAL Completion of DEA/ DEFF Waste Management Programme	ACTUAL DEA/ DEFF Waste Management Programme was completed. Some of the notable achievements included: Employment of 198 participants Intensive street cleaning of 8 designated sites in the coastal part of the metro, this included amongst other site Duncan Village, Mdantsane, Southernwood and Quigney.	Completion of DEA / DEFF Waste Management Programme	Implement new waste management programme	Implement new waste management programme
4. Audit Outcome	Unqualified Audit Report without findings	Unqualified Audit Report without findings	Unqualified Audit Report without findings	Unqualified Audit Report without findings	Unqualified Audit Report without findings	Unqualified Audit Report without findings	Unqualified Audit Report without findings	Unqualified Audit Report without findings
5. Implementation of board resolutions	All Board & Committee meetings resolutions implemented	100% Board Resolutions implemented	All Board & Committee meetings resolutions implemented	100% Board Resolutions implemented	100% Board Resolutions implemented	100% Board Resolutions implemented	100% Board Resolutions implemented	100% Board Resolutions implemented



# APPENDIX J

## Disclosure of Financial Interest



## APPENDIX J

## DISCLOSURE OF FINANCIAL INTEREST

## DISCLOSURE OF FINANCIAL INTERESTS FOR CITY MANAGER AND HEADS OF DIRECTORATES

NAME OF SECTION 56 MANAGER	DATE OF NOTICE TO COMPANY	DATE OF MINUTE	PARTICULARS OF CONTRACT	NATURE OF EXTENT OF INTEREST
Mr Andile Sihlahla	N/A	N/A	<ul style="list-style-type: none"> <li>Nokuphumla Family Trust</li> <li>29 Alamen Street</li> </ul>	<ul style="list-style-type: none"> <li>Trust Deed - no remuneration or income</li> <li>House ownership - no remuneration or income</li> </ul>
Ms Noludwe Ncokazi	N/A	N/A	Sasol Inzalo shares Directorship of the following: <ul style="list-style-type: none"> <li>Lifa Investment Holdings</li> <li>Tourism Investment Company</li> <li>Automotive Industry Development Centre (AIDC)</li> <li>Eastern Cape Information and Technology Initiative</li> </ul>	32 shares for R12,000 <ul style="list-style-type: none"> <li>Savings Group - 9,1%</li> <li>State owned - no remuneration or income</li> <li>State owned - no remuneration or income</li> <li>State owned - no remuneration or income</li> </ul>
Ms Ncumisa Sidukwana	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE
Ms Nonceba Mbali Majeng	N/A	N/A	Pule Funeral Directors	Funeral Parlour owned by husband - no remuneration or income
Mr Bob Naidoo	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE
Mr Luyanda Mbula	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE
Mr Vuyani Lwana	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE
Mr Nceba Ncunyana	N/A	N/A	LRAPAB (Pty) Ltd	Property Consultancy business - no remuneration or income
Ms Yoliswa Sinyanya	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE	NOTHING TO DECLARE
Mr Ntsikelelo Sigcau	N/A	N/A	<ul style="list-style-type: none"> <li>Sasol - Sasol Khanyisa</li> <li>Vodacom - Yebo Yethu</li> </ul>	<ul style="list-style-type: none"> <li>53 shares</li> <li>100 shares</li> </ul>





# APPENDIX K

## Revenue Collection Performance by Vote and Source

## APPENDIX K (i)

## REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
R' 000						
Vote Description	2020/2021	Current: 2021/2022			2021/2022 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Vote 01 - Directorate - Executive Support Services	442	-	381	191	100%	-99%
Vote 02 - Directorate - Municipal Manager	31 520	29 673	24 693	27 415	-8%	10%
Vote 03 - Directorate - Human Settlement	464 123	392 070	459 404	236 851	-66%	-94%
Vote 04 - Directorate - Chief Financial Officer	2 917 105	3 046 979	3 051 648	3 035 621	0%	-1%
Vote 05 - Directorate - Corporate Services	11 216	11 205	11 205	12 451	10%	10%
Vote 06 - Directorate - Infrastructure Services	4 350 008	4 335 812	4 344 206	4 589 568	6%	5%
Vote 07 - Directorate - Spatial Planning And Development	210 464	110 826	117 305	140 429	21%	16%
Vote 08 - Directorate - Public Safety & Emergency Services	187 665	206 645	206 645	179 714	-15%	-15%
Vote 09 - Directorate - Municipal Services	539 375	-	-	-	0%	0%
Vote 10 - Directorate - Economic Development & Agencies	104 765	256 138	274 436	133 371	-92%	-106%
Vote 11 - Directorate - Solid Waste, Environmental & Health Management	2 290	534 448	546 258	549 405	3%	1%
Vote 12 - Directorate - Sport, Recreation & Community Development	-	44 015	50 332	33 503	-31%	-50%
<b>Total Revenue by Vote</b>	<b>8 818 974</b>	<b>8 967 810</b>	<b>9 086 513</b>	<b>8 938 520</b>	<b>0%</b>	<b>-2%</b>
<b>Expenditure by Vote</b>						
Vote 01 - Directorate - Executive Support Services	242 602	284 844	279 534	278 459	2%	0%
Vote 02 - Directorate - Municipal Manager	137 044	147 650	147 503	148 509	-1%	-1%
Vote 03 - Directorate - Human Settlement	45 592	147 616	253 764	48 283	67%	81%
Vote 04 - Directorate - Chief Financial Officer	506 302	831 804	727 429	752 638	10%	-3%
Vote 05 - Directorate - Corporate Services	246 502	225 588	249 340	243 555	-8%	2%
Vote 06 - Directorate - Infrastructure Services	5 006 308	4 486 420	5 537 440	5 493 492	-22%	1%
Vote 07 - Directorate - Spatial Planning And Development	365 831	283 225	354 197	356 036	-26%	-1%
Vote 08 - Directorate - Public Safety & Emergency Services	517 651	467 715	502 199	501 899	-7%	0%
Vote 09 - Directorate - Municipal Services	1 005 392	-	-	-	0%	0%
Vote 10 - Directorate - Economic Development & Agencies	159 084	297 331	324 032	184 332	38%	43%
Vote 11 - Directorate - Solid Waste, Environmental & Health Management	76	591 650	695 170	695 442	-18%	0%
Vote 12 - Directorate - Sport, Recreation & Community Development	1 818	467 902	469 838	468 558	0%	0%
<b>Total Expenditure by Vote</b>	<b>8 234 201</b>	<b>8 231 745</b>	<b>9 540 447</b>	<b>9 171 202</b>	<b>-11%</b>	<b>4%</b>
<b>Surplus/ (Deficit) for the year</b>	<b>584 773</b>	<b>736 066</b>	<b>(453 934)</b>	<b>(232 682)</b>	<b>132%</b>	<b>49%</b>

*Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3*

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## APPENDIX K (ii)

## REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
						R '000
Description	2020/2021	2021/2022			2021/2022 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	1 591 520	1 834 764	1 834 764	1 733 914	-6%	-6%
Service Charges - electricity revenue	1 940 773	2 367 669	2 372 338	2 199 541	-8%	-8%
Service Charges - water revenue	1 146 063	795 708	795 708	1 255 133	37%	37%
Service Charges - sanitation revenue	429 316	447 060	447 060	470 773	5%	5%
Service Charges - refuse revenue	353 492	367 954	367 954	387 546	5%	5%
Service Charges - other	0	-	-	-	0%	0%
Rentals of facilities and equipment	24 222	20 959	20 959	21 116	1%	1%
Interest earned - external investments	41 289	36 490	30 736	33 086	-10%	7%
Interest earned - outstanding debtors	118 562	109 696	115 696	176 561	38%	34%
Fines	16 659	21 407	21 407	12 408	-73%	-73%
Licences and permits	12 411	18 835	18 835	12 128	-55%	-55%
Agency services	31 910	43 070	46 891	30 536	-41%	-54%
Transfers recognised - operational	1 248 804	1 301 395	1 443 206	1 099 887	-18%	-31%
Other revenue	749 530	869 105	862 499	800 345	-9%	-8%
Gains on disposal of PPE	34 411	-	-	16 618	100%	100%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>7 738 963</b>	<b>8 234 112</b>	<b>8 378 053</b>	<b>8 249 591</b>	<b>0,19%</b>	<b>-1,56%</b>
<b>Expenditure By Type</b>						
Employee related costs	2 539 080	2 536 210	2 542 803	2 536 403	0%	0%
Remuneration of councillors	63 813	76 550	65 045	64 683	-18%	-1%
Debt impairment	911 741	871 973	1 221 720	1 385 422	37%	12%
Depreciation & asset impairment	1 388 864	649 173	1 714 079	1 569 794	59%	-9%
Finance charges	25 757	59 936	20 689	20 684	-190%	0%
Bulk purchases	1 631 905	2 010 261	1 922 261	1 922 255	-5%	0%
Inventory consumed	327 361	436 115	373 618	369 179		
Contracted services	641 601	901 377	928 927	595 813	-51%	-56%
Transfers and grants	104 708	161 059	150 932	127 078	-27%	-19%
Other expenditure	550 528	529 092	598 373	608 458	13%	2%
Loss on disposal of PPE	22 215	-	2 000	1 302	100%	-54%
<b>Total Expenditure</b>	<b>8 207 573</b>	<b>8 231 745</b>	<b>9 540 447</b>	<b>9 201 071</b>	<b>11%</b>	<b>-4%</b>
<b>Surplus/(Deficit)</b>	<b>(468 610)</b>	<b>2 367</b>	<b>(1 162 394)</b>	<b>(951 480)</b>	<b>100%</b>	<b>-22%</b>
Transfers recognised - capital	1 065 032	733 699	708 459	686 636	-7%	-3%
Transfers and subsidies - capital (in-kind - all)	14 979	0	0	2 294	0%	0%
<b>Surplus/(Deficit) for the year after capital transfers and contributions</b>	<b>611 401</b>	<b>736 066</b>	<b>(453 934)</b>	<b>(262 551)</b>	<b>380%</b>	<b>-73%</b>
Taxation	-	0	0	-	0%	0%
Share of surplus/ (deficit) of associate	(26 628)	0	0	29 869	100%	100%
<b>Surplus/(Deficit) for the year</b>	<b>584 773</b>	<b>736 066</b>	<b>(453 934)</b>	<b>(232 682)</b>	<b>416%</b>	<b>-95%</b>
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to</i>						<i>T K.2</i>



# APPENDIX L

## Conditional Grants Received



## APPENDIX L

## CONDITIONAL GRANTS RECEIVED

Conditional Grants						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Finance Management Grant	1 000	1 000	1 000	0%	0%	Establishment of a Budget and Treasury Office (BTO) with positions filled by appropriately qualified personnel. • Appointment of at least five (5) interns over a multi-year period. • Support the training of municipal officials in financial management towards attaining the minimum competencies.
Infrastructure Skills Development Grant	10 500	10 500	8 314	-26%	-26%	Submit evidence of graduate registration to National Treasury when graduates have qualified and are registered as professionals. • Graduates to be evaluated by professionally registered mentors quarterly on training progress. • Mentoring must be provided by registered professionals in the same field as the graduates-in training and the full names and proof of registration of the mentor must be submitted to the National Treasury.
Expanded Public Works Programme	7 300	7 300	7 300	0%	0%	Expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised. • Expenditure should be guided by the approved business plans. • Maintain project and payroll records as specified in the EPWP Audit requirements.
Urban Settlement Development Grant	499 705	499 705	477 910	-5%	-5%	To improve urban land production to the benefit of poor households, reduce cost of urban land, enhance quality of life in informal settlements, subsidise costs of acquiring land & provide basic services for poor households.
Neighbourhood Development Partnership Grant	9 000	33 581	15 387	42%	-118%	To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's under-served neighbourhoods, generally townships.
Programme and Project Preparation Support Grant	8 941	8 941	8 941	0%	0%	To support metropolitan municipalities to develop a pipeline of investment ready capital programmes and projects through establishing and institutionalising an effective and efficient system of programme and project preparation and the allocation of growing level of municipal resources to preparation activities
Informal Settlements Upgrading Partnership Grant	266 258	238 258	234 789	-13%	-1%	To provide funding for problematic inclusive and municipality-wide approach to upgrading informal settlements
Electricity Demand Side Management	9 000	9 000	8 997	0%	0%	To provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency
<i>Other Specify:</i>						
<b>Total</b>	<b>811 704</b>	<b>808 285</b>	<b>762 638</b>	<b>-6%</b>	<b>-15%</b>	

## COMMENT ON CONDITIONAL GRANTS

### Finance Management Grant

- Establishment of a Budget and Treasury Office (BTO) with positions filled by appropriately qualified personnel.
- Appointment of at least five (5) interns over a multi-year period.
- Support the training of municipal officials in financial management towards attaining the minimum competencies.

### Infrastructure Skills Development Grant

- Submit evidence of graduate registration to National Treasury when graduates have qualified and are registered as professionals.
- Graduates to be evaluated by professionally registered mentors quarterly on training progress.
- Mentoring must be provided by registered professionals in the same field as the graduates-in training and the full names and proof of registration of the mentor must be submitted to the National Treasury.

### Expanded Public Works Programme

- Expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.
- Expenditure should be guided by the approved business plans.
- Maintain project and payroll records as specified in the EPWP Audit requirements.

### Neighbourhood Development Partnership Grant

- To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's under-served neighbourhoods, generally townships.

### Programme and Project Preparation Support Grant

- To support metropolitan municipalities to develop a pipeline of investment ready capital programmes and projects through establishing and institutionalising an effective and efficient system of programme and project preparation and the allocation of growing level of municipal resources to preparation activities.

### Informal Settlements Upgrading Partnership Grant

- To provide funding for problematic inclusive and municipality-wide approach to upgrading informal settlements.

### Electricity Demand Side Management

- To provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

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# **APPENDIX M**

## **Capital Expenditure New and Upgrade / Renewal Programme**

## APPENDIX M (i)

## CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME (EXCLUSIVE OF VAT)

Capital Expenditure - New Assets Programme*							
Description	R '000						
	2020/2021	2021/2022			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2022/2023	2023/2024	2024/2025
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	<b>542 042</b>	<b>609 218</b>	<b>492 852</b>	<b>461 104</b>	<b>528 112</b>	<b>563 727</b>	<b>483 444</b>
<b>Infrastructure: Road transport - Total</b>	<b>189 108</b>	<b>100 560</b>	<b>129 495</b>	<b>120 948</b>	<b>71 975</b>	<b>92 073</b>	<b>93 523</b>
<i>Roads, Pavements &amp; Bridges</i>	161 774	71 700	96 764	91 006	51 175	63 363	67 213
<i>Storm water</i>	27 334	28 860	32 731	29 943	20 800	28 710	26 310
<b>Infrastructure: Electricity - Total</b>	<b>167 008</b>	<b>80 772</b>	<b>82 144</b>	<b>79 368</b>	<b>112 319</b>	<b>91 521</b>	<b>13 500</b>
<i>Generation</i>							
<i>Transmission &amp; Reticulation</i>	167 008	80 772	82 144	79 368	112 319	91 521	13 500
<i>Street Lighting</i>							
<b>Infrastructure: Water - Total</b>	<b>76 585</b>	<b>343 056</b>	<b>219 563</b>	<b>206 269</b>	<b>288 977</b>	<b>304 732</b>	<b>289 375</b>
<i>Dams &amp; Reservoirs</i>							
<i>Water purification</i>	76 585	343 056	219 563	206 269	288 977	304 732	289 375
<i>Reticulation</i>							
<b>Infrastructure: Sanitation - Total</b>	<b>105 907</b>	<b>84 830</b>	<b>61 422</b>	<b>54 481</b>	<b>52 342</b>	<b>75 400</b>	<b>82 546</b>
<i>Reticulation</i>							
<i>Sewerage purification</i>	105 907	84 830	61 422	54 481	52 342	75 400	82 546
<b>Infrastructure: Other - Total</b>	<b>3 434</b>	<b>-</b>	<b>229</b>	<b>38</b>	<b>2 500</b>	<b>-</b>	<b>4 500</b>
<i>Waste Management</i>	-						
<i>Transportation</i>							
<i>Other</i>	3 434	-	229	38	2 500	-	4 500
<b>Community - Total</b>	<b>6 036</b>	<b>32 200</b>	<b>22 529</b>	<b>15 609</b>	<b>38 900</b>	<b>43 888</b>	<b>28 539</b>
<i>Parks &amp; gardens</i>					5 100 000	2 100 000	600 000
<i>Sportsfields &amp; stadia</i>	49	300	159	157	1 600 000	1 600 000	120 000
<i>Swimming pools</i>							
<i>Community halls</i>	2 248	0	0	-	0	0	0
<i>Libraries</i>	0	0	0	-	5 000 000	5 500 000	3 500 000
<i>Recreational facilities</i>	1 030	23 600	19 563	14 333	22 000	24 700	21 819
<i>Security and policing</i>							
<i>Buses</i>							
<i>Clinics</i>							
<i>Museums &amp; Art Galleries</i>	-	2 500	-	-	1 000	1 300	-
<i>Cemeteries</i>	169	200	110	108	200	500	500
<i>Social rental housing</i>							
<i>Other</i>	2 541	5 600	2 696	1 011	4 000	8 188	2 000
<i>Table continued next page</i>							

Table continued from previous page							
Capital Expenditure - New Assets Programme*							
Description	R '000						
	2020/2021	2021/2022			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2022/2023	2023/2024	2024/2025
<b>Capital expenditure by Asset Class</b>							
<b>Heritage assets - Total</b>	8	6 300	10 502	7 679	1 500	1 000	-
Buildings							
Other	8	6 300	10 502	7 679	1 500	1 000	-
<b>Investment properties - Total</b>	<b>176 873</b>	<b>41 000</b>	<b>36 420</b>	<b>31 403</b>	<b>21 200</b>	<b>43 000</b>	<b>5 000</b>
Housing development	176 873	41 000	36 420	31 403	21 200	43 000	5 000
Other	-						
<b>Other assets</b>	<b>129 066</b>	<b>117 090</b>	<b>99 759</b>	<b>79 545</b>	<b>94 220</b>	<b>103 887</b>	<b>126 552</b>
General vehicles	73 979	45 263	16 589	16 464	31 000	26 000	39 500
Specialised vehicles							
Plant & equipment	43 908	27 048	32 256	22 521	13 661	21 154	38 119
Computers - hardware/equipment	4 396	2 620	4 405	1 874	354	790	1 790
Furniture and other office equipment	5 834	21 159	22 150	14 971	9 736	14 443	15 843
Markets							
Civic Land and Buildings					15 000	15 000	15 000
Other	949	21 000	24 358	23 716	24 469	26 500	16 300
<b>Agricultural assets</b>	-	-	-	-	-	-	-
List sub-class							
<b>Biological assets</b>	-	-	-	-	-	-	-
Licences and Rights							
<b>Intangibles</b>	<b>31 050</b>	<b>11 300</b>	<b>17 235</b>	<b>15 023</b>	<b>9 200</b>	<b>3 748</b>	<b>3 846</b>
Computers - software & programming	28 064	8 300	14 798	13 887	9 200	3 748	3 846
Other (list sub-class)	2 987	3 000	2 437	1 136			
<b>Total Capital Expenditure on new assets</b>	<b>885 075</b>	<b>817 109</b>	<b>679 296</b>	<b>610 364</b>	<b>693 132</b>	<b>759 250</b>	<b>647 382</b>
<b>Specialised vehicles</b>	-	-	-	-	-	-	-
Refuse	0				0	0	
Fire	0				0	0	
Conservancy	0				0	0	
Ambulances	0				0	0	

\* Note: Information for this table may be sourced from MBRR (2009: Table SA34a)

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## APPENDIX M (ii)

## CAPITAL EXPENDITURE - UPGRADE / RENEWAL PROGRAMME (EXCLUSIVE OF VAT)

Capital Expenditure - Upgrade/Renewal Programme*							
Description	R '000						
	2020/2021	2021/2022			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2022/2023	2023/2024	2024/2025
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	<b>524 288</b>	<b>862 116</b>	<b>723 352</b>	<b>635 453</b>	<b>1 248 210</b>	<b>960 783</b>	<b>568 113</b>
Infrastructure: Road transport - Total	408 493	408 564	494 139	437 395	455 869	270 953	211 232
Roads, Pavements & Bridges	408 493	408 564	494 139	437 395	455 869	270 953	211 232
Storm water	0						
<b>Infrastructure: Electricity - Total</b>	<b>13 906</b>	<b>101 920</b>	<b>101 235</b>	<b>100 006</b>	<b>127 113</b>	<b>140 620</b>	<b>156 576</b>
Generation							
Transmission & Reticulation	13 906	101 920	101 235	100 006	127 113	140 620	156 576
Street Lighting							
<b>Infrastructure: Water - Total</b>	<b>38 371</b>	<b>50 255</b>	<b>55 399</b>	<b>51 455</b>	<b>107 704</b>	<b>210 805</b>	<b>131 028</b>
Dams & Reservoirs							
Water purification							
Reticulation	38 371	50 255	55 399	51 455	107 704	210 805	131 028
<b>Infrastructure: Sanitation - Total</b>	<b>63 519</b>	<b>301 376</b>	<b>72 436</b>	<b>46 597</b>	<b>557 524</b>	<b>338 405</b>	<b>69 278</b>
Reticulation	63 519	301 376	72 436	46 597	557 524	338 405	69 278
Sewerage purification							
<b>Infrastructure: Other - Total</b>	<b>-</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Waste Management	-	-	142	-	-	-	-
<b>Community</b>	<b>140 094</b>	<b>94 594</b>	<b>171 598</b>	<b>145 733</b>	<b>122 150</b>	<b>72 150</b>	<b>62 908</b>
Parks & gardens	9 764	8 000	15 850	9 372	11 800	10 500	7 500
Sportsfields & stadia	94 686	54 850	124 567	108 798	61 950	32 900	15 500
Swimming pools							
Community halls	6 350	5 500	4 831	4 831	11 000	9 500	4 500
Libraries		5 000	3 000	-			
Cemeteries	3 817	5 700	6 058	6 057	9 200	8 450	8 450
Social rental housing							
Other	25 478	15 544	17 292	16 675	28 200	10 800	26 958
<b>Heritage assets</b>	<b>152</b>	<b>1 000</b>	<b>2 223</b>	<b>1 062</b>	<b>1 000</b>	<b>1 000</b>	<b>-</b>
Buildings							
Other	152	1 000	2 223	1 062	1 000	1 000	-
<i>Table continued next page</i>							



Table continued from previous page							
Capital Expenditure - Upgrade/Renewal Programme*							
R '000							
Description	2020/2021	2021/2022			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2022/2023	2023/2024	2023/2024
<b>Capital expenditure by Asset Class</b>							
<b>Investment properties</b>	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-
Other							
<b>Other assets</b>	<b>41 204</b>	<b>28 373</b>	<b>21 392</b>	<b>15 349</b>	<b>21 470</b>	<b>17 400</b>	<b>9 600</b>
General vehicles	1 157	1 500	1 389	500	1 000	1 000	1 000
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment		-	-				
Furniture and other office equipment		-	-				
Abattoirs		-	-				
Markets		-	-				
Civic Land and Buildings		-	-				
Other Buildings		-	-				
Other Land		-	-				
Surplus Assets - (Investment or Inventory)		-	-				
Other	40 047	26 873	20 002	14 849	20 470	16 400	8 600
<b>Agricultural assets</b>	-	-	-	-	-	-	-
List sub-class							
<b>Biological assets</b>	539	400	400	396	400	600	700
Zoo's, Marine and Non-biological Animals	539	400	400	396	400 000	600 000	700 000
<b>Intangibles</b>	-	-	-	-	-	-	-
Computers - software & programming							
Other (list sub-class)	-	-	-	-			
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>706 277</b>	<b>986 483</b>	<b>918 965</b>	<b>797 993</b>	<b>1 393 230</b>	<b>1 051 933</b>	<b>641 321</b>
<b>Specialised vehicles</b>	-	-	-	-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							

\* Note: Information for this table may be sourced from MBRR (2009: Table SA34b)



# **APPENDIX N**

## **Capital Programme by Project Year 2021/2022**

## APPENDIX N

## CAPITAL PROGRAMME BY PROJECT YEAR 2021/2022

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>DIRECTORATE OF EXECUTIVE SUPPORT SERVICES</b>					
OFFICE FURN AND EQUIPMENT (DIRECTORATE)	500 000	500 000	433 197	-15%	-15%
WARD COUNCILLORS OFFICE SPACE - WARD 10	1 800 000	0	0	0%	0%
COUNCILLORS OFFICE EQUIPMENT	0	1 800 000	1 798 962	0%	100%
COMPUTER EQUIPMENT FOR NEW COUNCILLORS	1 500 000	1 500 000	1 480 679	-1%	-1%
REPLACEMENT OF COUNCIL CHAMBER HORSESHOE LEATHER CHAIRS AND TABLES c/o	0	1 101 500	401 200	-175%	100%
KWT COUNCIL CHAMBER CHAIRS c/o	0	200 000	137 950	-45%	100%
BHISHO COUNCIL CHAMBER CHAIRS c/o	0	100 000	88 480	-13%	100%
KWT MAYOR'S PARLOUR OFFICE FURNITURE c/o	0	200 000	73 974	-170%	100%
COUNCILLORS AND TRADITIONAL LEADER'S FURNITURE AND EQUIPMENT FOR A NEW TERM OF COUNCILLORS c/o	0	424 073	392 687	-8%	100%
OFFICE FURN & EQUIPMENT (DIRECTORATE) c/o	0	561 406	561 406	0%	100%
<b>TOTAL : EXECUTIVE SUPPORT SERVICES</b>	<b>3 800 000</b>	<b>6 386 978</b>	<b>5 368 536</b>	<b>-19%</b>	<b>29%</b>
<b>MUNICIPAL MANAGERS OFFICE</b>					
OFFICE FURN AND EQUIPMENT (DIRECTORATE)	500 000	788 899	788 899	0%	37%
COASTAL MUNICIPAL COURT	2 000 000	0	0	0%	0%
INLAND MUNICIPAL COURT	2 172 889	0	0	0%	0%
OFFICE FURNITURE AND EQUIPMENT-EPMO	250 000	369 829	369 829	0%	32%
INTEGRATION OF SYSTEMS ALONG THE PROPERTY VALUE CHAIN					
CUSTOMER SERVICE MACHINE					
AO SCANNING STATION					
SCANNER MAINTENANCE P/A	36 000	36 000	0	0%	0%
ALL IN ONE COMPUTER HARDWARE & SOFTWARE c/o	0	1 808 216	1 808 216	0%	100%
A3 SCANNING STATION					
SCANNER MAINTENANCE	10 350	10 350	0	0%	0%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
ERM SYSTEM - ENTERPRISE RISK MANAGEMENT SYSTEM c/o	0	913 712	3 751	-24261%	100%
<b>TOTAL: MUNICIPAL MANAGER'S OFFICE</b>	<b>4 969 239</b>	<b>3 927 006</b>	<b>2 970 695</b>	<b>-32%</b>	<b>-67%</b>
<b>DIRECTORATE OF INFRASTRUCTURAL SERVICES</b>					
OFFICE OF THE DIRECTOR					
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500 000	1 084 002	908 526	-19%	45%
	500 000	1 084 002	908 526	-19%	45%
<i>ELECTRICITY</i>					
BULK ELEC INFRAS UPGR (RING-FENCED 4%)	91 920 178	91 684 280	91 684 279	0%	0%
LV NETWORK - RC=COASTAL	18 000 000	15 365 727	15 365 727	0%	-17%
MV NETWORK - RC=COASTAL	20 000 000	19 362 888	19 362 888	0%	-3%
MV NETWORK - RN=INLAND	7 000 000	6 874 332	6 874 332	0%	-2%
MV SUBSTATIONS - RW=WHOLE METRO	25 920 178	29 093 055	29 093 055	0%	11%
HV TRANSMISSION NETWORK - RC=COASTAL	21 000 000	20 988 278	20 988 278	0%	0%
ELECTRIFICATION PROGRAMME	5 000 000	5 749 510	5 749 510	0%	13%
LV NETWORKS - RW=WHOLE METRO	5 000 000	5 749 510	5 749 510	0%	13%
ELECTRIFICATION - INFORMAL DWELLING AREAS - BCMM	10 000 000	9 550 269	9 550 269	0%	-5%
STREET LIGHT & HIGHASTS - BCMM AREAS OF SUPPLY	5 000 000	5 740 724	5 740 724	0%	13%
TOOLS AND EQUIPMENT (SPECIALISED VEHICLES)	1 000 000	750 000	730 750	-3%	-37%
BUILDING ALTERATIONS - BEACON BAY CIVIC CENTRE & OPERATIONS DEPOT	1 000 000	0	0	0%	0%
BUILDING ALTERATIONS - BEACON BAY CIVIC CENTRE & OPERATIONS DEPOT	0	450 000	0	0%	0%
ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT PROGRAMME	9 000 000	9 000 000	8 997 172	0%	0%
	122 920 178	122 924 783	122 452 704	0%	0%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
ROADS	129 790 440	193 450 724	193 422 791	0%	33%
BOWLS ROAD REHABILITATIONN - WARD 3	1 500 000	299 282	291 947	-3%	-414%
CONSTRUCTION OF ROAD INFRASTRUCTURE	10 000 000	11 381 169	11 381 438	0%	12%
CONSTRUCTION OF ROAD INFRASTRUCTURE - SANDILE-THUSI ROAD	9 000 000	10 080 957	10 078 858	0%	11%
REHABILIT OF BCMM BRIDGES AND STORMWATER	10 540 440	12 270 131	12 270 131	0%	14%
REHABILITATION OF BEACONHURST DRIVE	1 000 000	994 939	994 939	0%	-1%
REHABILITATION OF DOUGLAS SMITH HIGHWAY	5 000 000	5 000 000	4 986 354	0%	0%
REHABILITATION OF SETTLERS WAY	91 250 000	79 793 172	79 793 172	0%	-14%
REHABILITATION OF ZIPHUNZANA BYPASS	1 500 000	1 000 000	994 879	0%	-51%
REHABILITATION OF SETTLERS WAY c/o	0	72 631 074	72 631 074	0%	100%
ROADS PROVISION	83 000 000	82 367 822	82 278 661	0%	-1%
ROADS PROVISION - WARD 01	3 000 000	3 000 000	2 994 286	0%	0%
ROADS PROVISION - WARD 02	3 000 000	2 991 997	2 980 543	0%	-1%
ROADS PROVISION - WARD 03	3 000 000	2 989 842	2 989 842	0%	0%
ROADS PROVISION - WARD 04	3 000 000	2 982 345	2 982 345	0%	-1%
ROADS PROVISION - WARD 05	3 000 000	3 000 000	2 997 823	0%	0%
ROADS PROVISION - WARD 06	3 000 000	2 961 921	2 961 921	0%	-1%
ROADS PROVISION - WARD 07	3 000 000	2 981 197	2 981 197	0%	-1%
ROADS PROVISION - WARD 09	3 000 000	2 956 019	2 942 025	0%	-2%
ROADS PROVISION - WARD 12	3 000 000	3 000 000	2 997 969	0%	0%
ROADS PROVISION - WARD 13	3 000 000	3 000 000	2 998 139	0%	0%
ROADS PROVISION - WARD 16	3 000 000	2 967 406	2 967 406	0%	-1%
ROADS PROVISION - WARD 18	3 000 000	3 000 000	2 990 400	0%	0%
ROADS PROVISION - WARD 19	3 000 000	3 000 000	2 990 374	0%	0%
ROADS PROVISION - WARD 22	5 000 000	3 441 722	3 441 722	0%	-45%
ROADS PROVISION - WARD 25	3 000 000	2 981 703	2 981 139	0%	-1%
ROADS PROVISION - WARD 26	1 000 000	1 000 000	998 771	0%	0%
ROADS PROVISION - WARD 27	3 000 000	2 999 677	2 999 073	0%	0%
ROADS PROVISION - WARD 28	3 000 000	2 977 515	2 977 515	0%	-1%
ROADS PROVISION - WARD 29	3 000 000	2 996 863	2 996 863	0%	0%
ROADS PROVISION - WARD 31	1 000 000	989 166	989 167	0%	-1%
ROADS PROVISION - WARD 43	3 000 000	2 999 334	2 999 334	0%	0%
ROADS PROVISION - WARD 44	3 000 000	2 730 660	2 730 660	0%	-10%
ROADS PROVISION - WARD 45	3 000 000	3 000 000	2 986 874	0%	0%
ROADS PROVISION - WARD 47	3 000 000	2 923 151	2 923 151	0%	-3%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
ROADS PROVISION - WARD 08	3 000 000	3 442 735	3 442 735	0%	13%
ROADS PROVISION - WARD 10	3 000 000	3 380 585	3 380 585	0%	11%
ROADS PROVISION - WARD 11	2 000 000	2 298 852	2 298 852	0%	13%
ROADS PROVISION - WARD 15	3 000 000	3 375 133	3 375 133	0%	11%
ROADS PROVISION - WARD 42	2 000 000	2 000 000	1 982 819	-1%	-1%
RURAL ROADS	43 000 000	48 551 337	48 529 032	0%	11%
UPGR OF MDANTSANE RDS - CLUST 1	19 500 000	20 790 467	20 754 455	0%	6%
UPGR OF MDANTSANE RDS - CLUST 2	27 000 000	17 897 997	13 523 435	-32%	-100%
UPGR OF MDANTSANE RDS - CLUST 3	28 000 000	19 416 844	8 702 190	-123%	-222%
UPGRADE OF NORTH EAST EXPRESSWAY	2 000 000	2 000 000	1 986 113	-1%	-1%
URBAN ROADS	6 000 000	6 835 786	6 835 786	0%	12%
	338 290 440	391 310 977	376 032 462	-4%	10%
<b>WASTEWATER</b>					
SANITATION FACILITIES IN INFORMAL SETTLEMENTS	8 000 000	9 126 316	9 126 316	0%	12%
BERLIN SEWERS	3 000 000	3 338 249	3 338 249	0%	10%
BISHO KWT & ZWELITSHA BULK REG SEWER SCHEME	12 700 000	6 751 841	6 751 841	0%	-88%
NAHOON RIVER OUTFALL SEWER	0	991 987	991 987	0%	100%
UPGRADING OF SECURITY FOR SANITATION INFRASTRUCTURE	0	3 107 709	3 107 709	0%	100%
NETWORK FLOW MONITORING INFRASTRUCTURE	0	421 377	421 377	0%	100%
PROVISION OF WASTEWATER BOEREHOLES	0	1 819 924	1 819 924	0%	100%
UPGRADING OF ZWELITSHA WASTEWATER TREATMENT WORKS	100 000 000	0	0	0%	0%
E/L SEWER DIVERSION : CENTRAL TO REESTON	169 176 378	35 311 000	11 727 391	-201%	-1343%
EAST BEACH GRAVITY SEWER UPGRADE	5 000 000	4 211 676	4 211 676	0%	-19%
HOOD POINT MARINE OUTF SEWER & AUXILLIARY WORKS	4 500 000	4 610 750	4 610 750	0%	2%
MDANTSANE SANITATION	8 000 000	2 043 889	2 043 889	0%	-291%
MDANTSANE WASTEWATER TREATMENT WORKS	10 000 000	10 000 000	9 957 559	0%	0%
MDANTSANE WASTEWATER TREATMENT WORKS		5 209 925	5 209 926	0%	100%
	320 376 378	86 944 643	63 318 592	-37%	-406%



CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<i>WATER DEPT</i>					
KWT & BHISHO INFRASTRUCTURE	30 030 000	2 478 637	2 458 723	0%	-1121%
UPGRADE WATER NETWORKS	7 155 315	8 031 459	8 031 459	0%	11%
WATER BACKLOGS	22 000 000	21 144 441	21 144 441	0%	-4%
PIPE AND WATER METER REPLACEMENT IN BISHO, KWT & DIMBAZA	12 300 000	11 632 671	10 955 236	-6%	-12%
PIPE AND WATER METER REPLACEMENT IN EL	5 000 000	4 846 208	4 825 227	0%	-4%
PIPE AND WATER METER REPLACEMENT IN MDANTSANE	6 800 000	6 800 000	6 690 726	0%	-2%
AMAHLEKE WATER SUPPLY					
DISTRIBUTION-AMAHLEKE WATER SUPPLY	4 500 000	25 310	0	0%	0%
DISTRIBUTION-AMAHLEKE WATER SUPPLY	0	5 065 011	5 037 213	-1%	100%
ALTERNATIVE WATER SUPPLY	1 000 000	0	0	0%	0%
ALTERNATIVE WATER SUPPLY	0	1 204 388	1 204 388		100%
RESERVOIRS EAST COAST SUPPLY	4 000 000	2 873 288	2 873 288	0%	-39%
UMZONYANA DAM AND EAST COAST WATER SUPPLY UPGRADE	15 000 000	21 215 868	21 215 868	0%	29%
W/DEMAND MANGM - WATER CONSERV - PRV STA	4 788 095	15 546 737	15 546 737	0%	69%
INFORMAL SETTLEMENTS	13 000 000	19 134 141	12 829 150	0%	-1%
	125 573 410	119 998 159	117 657 904	0%	-7%
<i>FLEET</i>					
BCM FLEET PLANT SPEC EQUIP & S/ WASTE VEH	25 000 000	7 712 783	7 712 783	0%	-224%
<b>TOTAL : INFRASTRUCTURE SERVICES</b>	<b>932 660 406</b>	<b>729 975 347</b>	<b>688 082 971</b>	<b>-6%</b>	<b>-36%</b>

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>DIRECTORATE OF FINANCIAL SERVICES</b>					
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500 000	492 595	483 077	-2%	-4%
SMART METERING SOLUTIONS (ELECTRICITY)	40 961 276	58 924 689	58 924 688	0%	30%
SMART METERING SOLUTIONS (ELECTRICITY)	19 310 700	0	0	0%	0%
SMART METERING WATER SOLUTIONS	20 250 519	0	0	0%	0%
SMART METERING WATER SOLUTIONS	87 765 744	127 231 195	127 231 195	0%	31%
SMART METERING WATER SOLUTIONS	71 227 200	0	0	0%	0%
ACQUIRE ERP SYSTEM (ASSET MANAGEMENT SYSTEM, PROCUREMENT SYSTEM, etc)	5 000 000	3 128 279	3 128 279	0%	-60%
CONSTRUCTION OF OFFICE ACCOMODATION -CUSTOMER CARE OFFICE-MIDLAND	2 000 000	0	0	0%	0%
COST REFFECTIVE TARIFF STRUCTURE	2 500 000	0	0	0%	0%
METER READING SYSTEM	0	1 200 000	552 199	-117%	100%
ALTERATIONS OF ZONE 11 BUILDING ERF 2460	0	2 000 000	140 866	-1320%	100%
ACQUIRE ERP SYSTEM (ASSET MANAGEMENT SYSTEM, PROCUREMENT SYSTEM, etc) c/o	0	10 725 524	10 302 967	-4%	100%
BACK-UP GENERATORS c/o	0	800 000	0	0%	0%
CONSTRUCTION OF OFFICE ACCOMODATION -CUSTOMER CARE OFFICE-MIDLAND c/o	0	171 551	171 551	0%	100%
REHABILITATION OF CASH OFFICES, INSTALLATION OF CCTV AND HARDWARE FOR CASH OFFICES c/o	0	1 212 103	1 186 179	-2%	100%
SMART METERING WATER SOLUTIONS c/o	0	748 524	0	0%	0%
LAPTOPS-INTERNS		76 000	76 000	0%	100%
<b>TOTAL: FINANCIAL SERVICES</b>	<b>249 515 439</b>	<b>206 710 459</b>	<b>202 197 000</b>	<b>-2%</b>	<b>-23%</b>

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>DIRECTORATE OF CORPORATE SERVICES</b>					
OFFICE FURN AND EQUIPMENT (DIRECTORATE)	500 000	500 000	18 750	-2567%	-2567%
EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM	4 348 200	0	0	0%	0%
SCANNERS	500 000	0	0	0%	0%
FURNITURE FOR INTERNS	150 000	150 000	131 032	-14%	-14%
FIBRE NETWORK	1 500 000	1 500 000	1 135 580	-32%	-32%
LTE INFRASTRUCTURE	1 500 000	1 500 000	410 229	-266%	-266%
DISASTER RECOVERY ENHANCEMENT	1 500 000	0	0	0%	0%
PROCUREMENT OF ICT EQUIPMENT	1 000 000	1 000 000	856 898	-17%	-17%
NETWORK EQUIPMENT REFRESH (KWT, MDA,BISHO)	1 000 000	1 000 000	182 600	-448%	-448%
INTELLIGENT OPERATING CENTRE HARDWARE & SOFTWARE	84 020	84 020	0	0%	0%
OFFICE FURN AND EQUIPMENT (DIRECTORATE) c/o	0	130 215	130 215	0%	100%
SCANNERS c/o	0	67 502	0	0%	0%
SCANNERS c/o	0	624 073	0	0%	0%
PROCUREMENT OF ICT EQUIPMENT c/o	0	398 592	398 591	0%	100%
CALL BUDGETING SYSTEM SOFTWARE c/o	0	244 036	201 202	-21%	100%
NETWORK EQUIPMENT REFRESH(KWT, MDA,BISHO) c/o	0	354 469	214 972	-65%	100%
LTE INFRASTRUCTURE c/o	0	711 171	696 350	-2%	100%
DISASTER RECOVERY ENHANCEMENT c/o	0	936 757	0	0%	0%
INTELLIGENT OPERATING CENTRE HARDWARE & SOFTWARE c/o	0	2 000 000	129 488	-1445%	100%
<b>TOTAL: CORPORATE SERVICES</b>	<b>12 082 220</b>	<b>11 200 835</b>	<b>4 505 906</b>	<b>-149%</b>	<b>-168%</b>

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>DIRECTORATE OF HUMAN SETTLEMENT</b>					
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500 000	500 000	286 536	-74%	-74%
POTSDAM IKHWEZI BL 1	3 000 000	3 728 601	3 720 731	0%	19%
AMALINDA 179 MILITARY VETERANS	2 000 000	0	0	0%	0%
CLUSTER 3	5 000 000	200 000	170 951	-17%	-2825%
POTSDAM IKHWEZI BL 2	1 800 000	0	0	0%	0%
POTSDAM NORTH KANANA	9 999 750	200 000	0	0%	0%
DUNCAN VILLAGE PROPER	1 000 000	0	0	0%	0%
MDANTSANE Z 18 CC PH 2	12 000 000	22 143 066	22 143 066	0%	46%
AMALINDA CO- OP	6 000 000	8 151 619	8 151 619	0%	26%
CLUSTER 1	15 000 000	0	0	0%	0%
CLUSTER 1	0	16 337 597	16 337 597	0%	100%
CLUSTER 2	19 000 000	17 971 049	17 971 049	0%	-6%
DUNCAN VILL COMP/SITE	1 000 000	0	0	0%	0%
BRAELYN EXT 10	2 000 000	1 728 951	1 558 879	-11%	-28%
TYUTYU PHASE 3	5 085 000	4 664 643	4 409 801	-6%	-15%
WESTBANK RESTITUTION	9 000 000	950 705	950 705	0%	-847%
C SECTION & TRIANGULAR SITE	2 000 000	0	0	0%	0%
D HOSTEL	15 000 000	180 821	0	0%	0%
FORD MSIMANGO	500 000	0	0	0%	0%
N2 ROAD RESERVE	1 000 000	0	0	0%	0%
HANI PARK - WATER	5 000 000	197 889	197 889	0%	-2427%
HLALANI - WATER	5 000 000	915 777	915 777	0%	-446%
PHOLA PARK - WATER	5 000 000	490 802	429 868	-14%	-1063%
BERLIN LINGELITSHA - PHASE 1 - WATER	5 000 000	3 459 198	3 459 198	0%	-45%
ILITHA SPORTSFIELD - WATER	5 000 000	954 167	928 350	-3%	-439%
EMPILISWENI - WATER	5 000 000	969 528	961 410	-1%	-420%
MATSHENI PARK - WATER	5 000 000	1 500 000	1 485 972	-1%	-236%
KHAYELITSHA - WATER	5 000 000	1 500 000	1 470 590	-2%	-240%
XHWITINJA - WATER	2 000 000	0	0	0%	0%
KWATSHATUSHU - WATER	5 000 000	0	0	0%	0%
GINSBERG - WATER	5 000 000	595 178	557 133	-7%	-797%
SLOVO PARK - WATER	1 000 000	0	0	0%	0%
EKUPHUMLENI - WATER	1 000 000	0	0	0%	0%
ETHEMBENI - WATER	1 000 000	0	0	0%	0%
EAST BANK RESTITUTION - WATER	5 000 000	0	0	0%	0%
REESTON PHASE 3 STAGE 2	15 000 000	0	0	0%	0%
REESTON PHASE 3 STAGE 2	0	30 455 312	30 455 312	0%	100%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
NELSON MANDELA 102 PROJECT-WATER	1 000 000	49 295	0	0%	0%
NONDULA-WATER	2 000 000	1 000 000	868 140	-15%	-130%
MAJARANTIYENI-WATER	2 500 000	0	0	0%	0%
BOXWOOD PROJECT	12 500 000	12 500 000	12 499 907	0%	0%
BOXWOOD PROJECT		27 500 000	27 499 996	0%	100%
CNIP VICTIMS PROJECT: CAMBRIDGE WEST	30 000 000	6 575 995	6 575 995	0%	-356%
REESTON PHASE 3 STAGE 3	2 000 000	0	0	0%	0%
PHAKAMISA SOUTH	5 000 000	5 250 906	5 250 906	0%	5%
ILITHA 49 SITES	5 000 000	6 595 568	6 536 367	-1%	24%
DIMBAZA SHUTER HOUSES: DETAILED INFRASTRUCTURE INVESTIGATION	5 000 000	0	0	0%	0%
MZAMOMHLE: PEOPLES HOUSING PROCESS	500 000	9 687 682	9 687 682	0%	95%
PARKHOMES FOR DESTITUTES & GBV VICTIMS	4 000 000	4 868 515	4 868 515	0%	18%
ZIPHUNZANA BYPASS RELOCATION SITE (TRAs)	15 000 000	3 561 063	3 561 063	0%	-321%
MDANTSANE ERF 81,87 & 88 RELOCATION SITE UNITS	5 000 000	5 000 000	5 000 000	0%	0%
MDANTSANE ERF 81,87 & 88 RELOCATION SITE UNITS	0	19 885 484	19 885 484	0%	100%
FYNBOSS RELOCATION SITE UNITS	2 000 000	3 078 925	3 078 925	0%	35%
FYNBOSS C/O	0	0	-4 703 805	100%	100%
HAVEN HILLS TRU	13 000 000	0	0	0%	0%
HEMINGWAYS INFORMAL SETTLEMENTS	1 000 000	26 076	26 076	0%	-3735%
SILVERTOWN	1 000 000	0	0	0%	0%
LILLYVALE - ROADS	0	6 810 085	6 810 085	0%	100%
PHAKAMISA SOUTH - SEWER	0	5 661 980	5 661 980	0%	100%
<b>TOTAL: HUMAN SETTLEMENTS</b>	<b>292 384 750</b>	<b>235 846 477</b>	<b>229 669 748</b>	<b>-3%</b>	<b>-27%</b>

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>DIRECTORATE OF SPATIAL PLANNING AND DEVELOPMENT</b>					
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500 000	500 000	325 191	-54%	-54%
DEVELOPMENT PLANNING					
SURVEY SOFTWARE	300 000	0	0	0%	0%
ARCHITECTURAL SOFTWARE	0	200 000	0	0%	0%
SCM INVENTORY WAREHOUSING AND FENCING	0	100 000	97 725	-2%	100%
UPGRADING OF KWT PAYMENTS HALL	2 000 000	2 000 000	5 453	-36579%	-36579%
	2 300 000	2 300 000	103 178	-2129%	-2129%
PROPERTY MANAGEMENT					
REFURBISHMENT OF BUXTON, ELECTRICITY HOUSE, RESERVE BANK & OTHER MUNICIPAL BUILDINGS	7 000 000	4 938 667	4 938 667	0%	0%
LAND ACQUISITION	21 000 000	24 357 918	23 875 922	-2%	12%
LAND ACQUISITION c/o	0	1 268 204	941 434	-35%	100%
FENCING OF LAND AND BUILDINGS	0	3 761 266	3 565 734	-5%	100%
ORIENT THEATRE REFURBISHMENT c/o	0	1 335 156	1 335 156	0%	100%
	28 000 000	35 661 211	34 656 913	-3%	19%
TRANSPORT PLANNING AND OPERATIONS					
SLEEPER SITE ROAD	7 273 548	7 273 548	0	0%	0%
CITY TO SEA BOULEVARD	3 500 000	3 500 000	3 496 288	0%	0%
BRIDGE DESIGNS & IMPLEMENTATION	10 000 000	9 062 872	9 062 871	0%	-10%
GUARDRAILS	500 000	303 828	294 174	-3%	-70%
SLEEPER SITE ROAD	15 000 000	18 658 922	18 658 922	0%	20%
GUIDANCE SIGNAGE	300 000	300 000	299 812	0%	0%
SIDEWALKS	3 000 000	2 532 935	2 532 935	0%	-18%
TRAFFIC CALMING	2 000 000	1 957 018	1 884 731	0%	0%
TRAFFIC SIGNALS	2 000 000	500 000	485 950	-3%	-312%
MDANTSANE ACCESS ROAD	6 000 000	10 000 000	0	0%	0%
MDANTSANE ACCESS ROAD	0	19 410 541	19 410 541	0%	0%
QUMZA HIGHWAY PHASE 7 - PHASE 1 & 2	17 700 000	12 861 498	12 861 498		
TAXI RANK INFRAST (ROADS & ABLUTION FAC)	7 000 000	7 000 000	6 971 763	0%	0%
TAXI/BUS EMBAYMENTS	2 000 000	2 000 000	1 924 758	-4%	-4%
NORTH WEST CORRIDOR	3 044 304	3 044 304	3 042 699	0%	0%



CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
TRAFFIC SIGNALS - BCMET c/o	0	487 498	484 546	-1%	100%
BILLIE ROAD UPGRADE	0	2 919 043	2 919 043	0%	100%
TAXI RANK INFRASTR (ROADS & ABLUTION FAC) c/o	0	1 085 202	1 009 186	-8%	100%
MARKET SQUARE TAXI RANK c/o	0	160 634	94 342	-70%	100%
	79 317 852	103 057 843	85 434 058	-21%	7%
<b>TOTAL : SPATIAL PLANNING &amp; DEVELOPMENT</b>	<b>110 117 852</b>	<b>141 519 054</b>	<b>120 519 339</b>	<b>-17%</b>	<b>9%</b>
<b>DIRECTORATE OF ECONOMIC DEVELOPMENT AND AGENCIES</b>					
BUILDING OF MEMORIAL STONES	1 500 000	0	0	100%	0%
KIWANE RESORT MAINTENANCE & UPGRADE	500 000	500 000	436 737	-14%	-14%
CONSTRUCTION OF CABIN ACCOMMODATION	1 000 000	0	0	0%	0%
EXTENSION OF MDANTSANE ART CENTRE	3 000 000	3 000 000	0	0%	0%
HYDROPONICS AND PACKHOUSE - WARD 22	6 000 000	6 000 000	0	0%	0%
HYDROPONICS AND PACKHOUSE PROJECT	8 000 000	12 832 913	12 832 913	0%	38%
IMPROVE ACCESS ROAD AND ROAD SIGNAGE	3 000 000	8 798 112	6 415 920	-37%	53%
INFORMAL TRADE (HAWKER STALLS)	5 000 000	5 000 000	2 983 051	-68%	-68%
INFORMAL TRADE INFRASTRUCTURE (Hawker Stalls)	5 000 000	3 000 000	2 924 014	-3%	-71%
FILM STUDIO DEVELOPMENT	2 500 000	0	0	0%	0%
INSTALLATION OF RECREATIONAL FACILITIES	500 000	0	0	0%	0%
KWT ART CENTRE	2 000 000	0	0	0%	0%
SMME INCUBATOR	500 000	500 000	245 837	-103%	-103%
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500 000	500 000	463 420	-8%	-8%
RESTORATION OF CATTLE KILLING HERITAGE IN KWT	1 000 000	0	0	100%	0%
REVITALISATION OF INDUSTRIAL AREA	2 000 000	1 000 000	449 253	-123%	-345%
REVITALISATION OF INDUSTRIAL AREAS	5 000 000	5 000 000	5 000 000	0%	0%
TOURISM HUB	2 000 000	2 000 000	783 003	-155%	-155%
UPGRADING OF BUILDINGS	1 000 000	1 000 000	860 515	-16%	-16%
UPGRADING OF MARKET HALL	5 500 000	3 050 000	2 669 373	-14%	-106%
UPGRADING OF COLD ROOMS	0	330 994	0	0%	0%
PURCHASE OF BOOM LIFT	0	1 319 006	1 319 006	0%	100%
PURCHASE OF BOOM LIFT	0	170 000	0	0%	0%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
UPGRADE OF WATER SUPPLY	0	800 000	714 549	-12%	100%
FORT JACKSON JUNCTION HUB	5 000 000	0	0	0%	0%
AGRI-VILLAGE	5 000 000	9 121 731	8 705 500	-5%	43%
SMME INCUBATOR: SEKUNJALO TRAINING CENTRE	7 000 000	3 893 903	3 893 903	0%	-80%
UPGRADING OF MARKET HALL c/o	0	179 528	153 584	-17%	100%
CONSTRUCTION OF WASTE AREA c/o	0	243 832	227 157	-7%	100%
EXPANSION OF GUARD HOUSE AND GATE c/o	0	1 135 121	756 899	-50%	100%
PLANT AND EQUIPMENT c/o	0	267 119	264 130	-1%	100%
UPGRADING OF BUILDINGS c/o	0	321 197	316 056	-2%	100%
INFORMAL TRADE ( HAWKER STALLS) c/o	0	517 421	347 826	-49%	100%
REVITALISATION OF INDUSTRIAL AREA c/o	0	260 870	0	0%	0%
HYDROPONICS AND PACKHOUSE c/o	0	474 584	347 374	-37%	100%
EXTENSION OF MDANTSANE ART CENTRE c/o	0	2 958 617	389 424	-660%	100%
BUILDING OF MEMORIAL STONES c/o	0	992 116	700 276	-42%	100%
INSTALLATION OF RECREATIONAL FACILITIES c/o	0	341 399	115 971	-194%	100%
FENCING OF WORLD WAR 1 c/o	0	1 223 168	1 062 000	-15%	100%
RESTORATION OF CATTLE KILLING HERITAGE IN KWT c/o	0	1 000 000	0	0%	0%
EXTENSION OF MDANTSANE ART CENTRE c/o	0	1 997 060	0	0%	0%
IMPROVE ACCESS ROAD AND ROAD SIGNAGE c/o	0	4 750 024	4 390 802	-8%	100%
TOTAL: ECONOMIC DEVELOPMENT & AGENCIES	72 500 000	84 478 714	59 768 493	-41%	-21%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>DIRECTORATE OF PUBLIC SAFETY AND EMERGENCY SERVICES</b>					
OFFICE FURN & EQUIPMENT (DIRECTORATE)	500 000	500 000	0	0%	0%
FIRE ENGINES PROCURED	6 500 000	0	0	0%	0%
REFURBISHMENT OF FIRE ENGINES	1 500 000	850 000	0	0%	0%
CLOSED CIRCUIT TELEVISION NETWORK - CCTV	1 000 000	2 589 035	2 589 035	0%	0%
REFURBISHMENT OF LAW ENFORCEMENT OFFICES TAYLOR STREET KWT	2 000 000	0	0	0%	0%
SPECIALISED VEHICLES PUBLIC SAFETY	3 000 000	0	0	0%	0%
TACTICAL RADIO NETWORK	1 100 000	1 300 000	1 296 421	0%	15%
FIRE EQUIPMENT	200 000	200 000	197 273	0%	0%
NEW FIRE STATION - BERLIN WARD 45	4 000 000	0	0	0%	0%
CONSTRUCTION OF NEW DISASTER MANAGEMENT CENTRE	200 000	0	0	0%	0%
REFURBISHMENT OF FIRE STATIONS	500 000	1 780 000	565 040	-215%	12%
BACK-UP GENERATORS	1 500 000	160 965	0	0%	0%
OFFICE FURN & EQUIPMENT (DIRECTORATE) c/o	0	226 592	213 438	-6%	100%
DISASTER MANAGEMENT: EVENT SAFETY EQUIPMENT c/o	0	59 820	42 510	-41%	100%
REFURBISH & REHABILITATION - FIRE INFRASTRUCTURE c/o	0	539 264	499 865	-8%	100%
TACTICAL RADIO NETWORK c/o	0	1 482 307	1 477 716	0%	100%
TACTICAL RADIO NETWORK c/o	0	647 075	0	0%	0%
FIRE EQUIPMENT c/o	0	438 286	438 286	0%	100%
NEW FIRE STATION - BERLIN WARD 45 c/o	0	1 604 300	212 192	-656%	100%
REFURBISHMENT OF DISASTER MANAGEMENT CENTRE c/o	0	29 099	29 092	0%	100%
TRAFFIC AND LAW ENFORCEMENT EQUIPMENT c/o	0	819 176	40 000	-1948%	100%
ABLUTION FACILITIES - MDANTSANE TRAFFIC CENTRE c/o	0	700 000	350 662	-100%	100%
CLOSED CIRCUIT TELEVISION NETWORK - CCTV c/o	0	1 014 353	884 298	-15%	100%
<b>TOTAL CAPITAL BUDGET: PUBLIC SAFETY &amp; EMERGENCY SERVICES</b>	<b>22 000 000</b>	<b>14 940 272</b>	<b>8 835 827</b>	<b>-69%</b>	<b>-149%</b>

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>DIRECTORATE OF SPORTS , RECREATION &amp; COMMUNITY DEVELOPMENT</b>					
OFFICE FURN & EQUIPMENT (DIRECTORATE)	250 000	250 000	222 951	-12%	-12%
DEVELOPMENT, UPGRADE & REFURBISHMENT OF COMMUNITY HALLS	7 600 000	6 959 936	6 914 077	-1%	-10%
DEVELOPMENT OF C/HALLS & FACILITIES	1 000 000	910 364	910 364	0%	-10%
HALLS-TOOLS AND EQUIPMENT	100 000	100 000	76 350	-31%	-31%
UPGR & REFURB EXIST C/HALLS & FACILITIES	2 000 000	1 971 359	1 971 359	0%	-1%
CONSTRUCTION OF GESINI HALL	2 500 000	2 182 005	2 182 005	0%	-15%
CONSTRUCTION OF NU 3 HALL WARD 14	2 000 000	1 738 891	1 738 891		
HALLS-TOOLS AND EQUIPMENT c/o	0	57 317	35 107	-63%	100%
UPGRADING OF RESORTS	850 000	2 112 069	1 838 562	-15%	54%
BUILDING OF S/POOL AT GONUBIE RESORT	500 000	0	0	0%	0%
INSTALLATION OF FLOODLIGHTS AT GONUBIE RESORTS	50 000	50 000	50 000	0%	0%
REFURBISHMENT OF CHALETS	0	0	0	0%	0%
REFURBISHMENT OF BACKPACKERS	0	0	0	0%	0%
INSTALLATION OF SECURITY ALARMS IN 20 CHALETS	50 000	50 000	17 463	0%	0%
REVAMPING OF JUMPING CASTLE AT RESORTS	50 000	50 000	48 292	0%	0%
REFUBISHMENT OF ABLUTION BLOCKS AT RESORTS	100 000	100 000	98 241	-2%	-2%
PAVING AROUND RESORTS	100 000	100 000	98 226	-2%	-2%
CONSTRUCTION OF OFFICE AND GUARD HOUSE NAHOON CARAVAN PARK c/o	0	1 200 855	1 060 240	0%	0%
DEMOLISHING AND CONSTRUCTION OF DINNING HALL AT GONUBIE RESORTS c/o	0	2 982	0	0%	0%
PURCHASE OF FURNITURE FOR CHALETS c/o	0	137 558	122 873	-12%	100%
OFFICE FURN & EQUIPMENT (DIRECTORATE) c/o	0	420 674	343 228	-23%	100%
DEVELOPMENT, UPGRADE & REFURBISHMENT OF SPORTSFIELDS	3 100 000	4 290 019	3 576 331	-20%	13%
DEVELOPMENT, UPGRADE AND REFURBISHMENT OF SPORTS FIELDS AND STADIUMS	3 000 000	3 279 301	3 279 301	0%	9%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
PLANT - SPORTS	100 000	100 000	98 026	-2%	-2%
DEVELOPMENT, UPGRADE AND REFURBISHMENT OF SPORTS FIELDS AND STADIUMS	0	910 718	199 004	0%	0%
UPGRADING OF ZOO	1 100 000	1 398 707	1 145 424	-22%	4%
UPGRADING OF ZOO	631 131	631 131	592 326	0%	0%
UPGRADING OF ZOO	368 869	494 578	494 578	0%	25%
PLANT - ZOO	100 000	100 000	58 520	-71%	-71%
UPGRADING OF ZOO c/o	0	172 998	0	0%	0%
REFURBISHMENT OF AQUARIUM	500 000	400 000	395 580	-1%	-26%
REFURBISHMENT OF AQUARIUM	400 000	400 000	395 580	-1%	-1%
PLANT - AQUARIUM	100 000	0	0	0%	0%
SWIMMING POOLS	600 000	19 848 958	19 546 796	-2%	97%
SWIMMING POOLS	200 000	87 709	85 308	-3%	-134%
PLANT - SWIMMING POOL	100 000	78 406	49 193	-59%	-103%
REFURBISHMENT OF SWIMMING POOLS	300 000	538 442	267 894	-101%	-12%
REDEVELOPMENT OF MDANTSANE SPORT PRECINT - NU2 SWIMMING POOL c/o	0	13 635 045	13 635 045	0%	100%
REFURBISHMENT OF SWIMMING POOLS c/o	0	171 792	171 792	0%	100%
REDEVELOPMENT OF MDANTSANE SPORT PRECINT - NU2 SWIMMING POOL c/o	0	5 337 564	5 337 564	0%	0%
UPGRADING OF DEPOTS	200 000	483 134	446 747	-8%	55%
NU 6 MDANTSANE DEPOT	100 000	100 000	86 957	-15%	-15%
BERLIN DEPOT	100 000	100 000	79 543	0%	0%
NU 6 MDANTSANE DEPOT c/o	0	283 134	280 247	-1%	100%
GRASS CUTTING EQUIPMENT	200 000	173 151	164 000	-6%	-22%
GRASS CUTTING EQUIPMENT	200 000	0	0	0%	0%
GRASS CUTTING EQUIPMENT c/o	0	151 690	104 797	-45%	100%
DEVELOPMENT OF CEMETRIES	5 900 000	6 168 364	6 164 876	0%	4%
PLANT AND EQUIPMENT (CEMETRIES)	200 000	110 000	108 018	-2%	-85%
COAST CEMETRIE (CAMBRIDGE CREMATORIUM) 2	500 000	488 444	488 444	0%	-2%
DEVELOPMENT OF CEMETERIES - COASTAL	1 000 000	1 829 293	1 828 018	0%	45%

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
DEVELOPMENT OF CEMETERIES-INLAND	1 000 000	999 517	999 349	0%	0%
DEVELOPMENT OF CEMETERIES-MIDLAND	1 000 000	896 435	896 435	0%	-12%
INLAND CEMETRIES (KWT / CLUBVIEW)	500 000	493 800	493 738	0%	-1%
INLAND CEMETRIES (PHAKAMISA)	500 000	479 180	479 180	0%	-4%
INLAND CEMETRIES (ZWELITSHA)	500 000	387 359	387 359	0%	-29%
MIDLANDS CEMETRIES (FORT JACKSON)	200 000	0	0	0%	0%
MIDLANDS CEMETRIES (MTSOTSO CEMETERY)	500 000	484 336	484 336	0%	-3%
UPGRADING OF COMMUNITY PARKS	3 000 000	3 276 550	3 229 226	-1%	7%
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - COASTAL	1 000 000	1 000 000	998 596	0%	0%
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - MIDLAND	1 000 000	500 000	498 138	0%	-101%
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - INLAND	1 000 000	1 000 000	993 068	-1%	-1%
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - COASTAL c/o	0	500 000	462 874	-8%	100%
UPGRADING AND DEVELOPMENT OF COMMUNITY PARKS - INLAND c/o	0	276 550	276 549	0%	100%
<b>TOTAL CAPITAL BUDGET: DEVELOPMENT, UPGRADE &amp; REFURBISHMENT OF SPORTSFIELDS</b>	<b>23 600 000</b>	<b>45 512 578</b>	<b>43 749 367</b>	<b>-4%</b>	<b>46%</b>
<b>DIRECTORATE OF SOLID WASTE &amp; ENVIRONMENTAL MANAGEMENT</b>					
OFFICE FURN & EQUIPMENT (DIRECTORATE)	250 000	250 000	194 074	-29%	-29%
GRASS CUTTING EQUIPMENT		200 000	167 211	-20%	100%
BEACHES	600 000	2 040 539	1 755 124	-16%	66%
BEACHES	400 000	423 392	423 392	0%	6%
PLANT - BEACHES	100 000	100 000	0	0%	0%
REFURBISHMENT & UPGRADING OF FACILITIES AT BEACHES	100 000	1 517 147	1 331 732	-14%	92%
REFURBISHMENT OF NATURE RESERVES	300 000	259 461	255 945	-1%	-17%
REFURBISHMENT OF NATURE RESERVE (BOARDWALKS)	200 000	200 000	196 484	-2%	-2%
PLANT - NATURE RESERVE	100 000	59 461	59 461	0%	-68%



CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
BCM FLEET - SOLID WASTE FLEET AND PLANT	4 148 415	3 982 448	3 982 447	0%	-4%
PURCHASE OF BULK CONTAINERS WITH REMOVAL VEHICLES	4 000 000	2 079 074	2 079 074	0%	-92%
TRANSFER STATION	9 448 340	2 948 340	2 585 224	-14%	-265%
FENCING OF TRANSFER STATION (PALISADE FENCE)	1 648 340	2 648 340	2 585 224	-2%	36%
GUARD HOUSE ABLUTION FACILIT & OFFICES	300 000	300 000	0	0%	0%
PURCHASE OF CAMBRIDGE/ TRANSFER FACILITIES	2 500 000	0	0	0%	0%
GALVANISED STREET LITTER BINS	5 000 000	6 361	6 361	0%	-78502%
METAL SKIPS AND SPRICOS		228 549	38 443	-495%	100%
CALL TO ACTION (PHASE 2)	0	428 186	0	0%	0%
INTERGRATED WASTE MANAGEMENT, BEAUTICATION AND GREENING PROJECT	0	536 280	0	0%	0%
REFURBISHMENT OF NU 6 MDANTSANE OFFICES FOR MUNICIPAL HEALTH SERVICES MIDLAND	2 000 000	348 417	0	0%	0%
AIR MONITORING STATION	1 500 000	167 000	167 000	0%	-798%
TOOLS & EQUIPMENT		200 000	90 477	-121%	100%
VEHICLES MUNICIPAL HEALTH SERVICES	1 614 952	1 623 852	1 531 968	-6%	-5%
AIR MONITORING STATION c/o	0	227 938	173 685	-31%	100%
<b>TOTAL CAPITAL BUDGET: DIRECTORATE OF SOLID WASTE &amp; ENVIRONMENTAL MANAGEMENT</b>	<b>23 761 707</b>	<b>15 526 445</b>	<b>12 821 379</b>	<b>-21%</b>	<b>-85%</b>
ASSET REPLACEMENTS - INSURANCE	5 000 000	3 269 429	3 236 429	-1%	-54%
<b>TOTAL BCMM CAPITAL PROJECTS</b>	<b>1 752 391 613</b>	<b>1 499 293 594</b>	<b>1 381 931 343</b>	<b>-8%</b>	<b>-27%</b>

CAPITAL PROGRAMME BY PROJECT: 2021/2022 (R'000)					
CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %
<b>BCMDA PROJECTS</b>					
EAST LONDON BEACHFRONT AND WATERWORLD (BCMDA)	50 000 000	96 404 837	81 856 624	-18%	39%
EAST LONDON BEACHFRONT AND WATERWORLD (BCMDA) c/o	0	1 362 557	1 362 557	0%	100%
COMPUTER SOFTWARE	800 000	700 000	255 047	-174%	-214%
OFFICE FURN & EQUIPMENT (DIRECTORATE)	80 000	80 000	76 722	-4%	-4%
COMPUTER EQUIPMENT	320 000	420 000	141 052	-198%	-127%
<b>TOTAL - BCMDA</b>	<b>51 200 000</b>	<b>98 967 394</b>	<b>83 692 002</b>	<b>-18%</b>	<b>39%</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>1 803 591 613</b>	<b>1 598 260 988</b>	<b>1 465 623 345</b>	<b>-9%</b>	<b>-23%</b>

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# **APPENDIX O**

## **Capital Programme by Project By Ward 2021/2022**

## APPENDIX O

## CAPITAL PROGRAMME BY PROJECT BY WARD 2021/2022

CAPITAL PROGRAMME BY PROJECT BY WARD: YEAR 2021/22 (R'000)		
CAPITAL PROJECT	WARD(S) AFFECTED	WORKS COMPLETED (YES/NO)
<b>SANITATION / SEWERAGE</b>		
Sanitation Facilities In Informal Settlements	All Wards	No
Berlin Sewers	45	No
Bhisho KWT & Zwelitsha Bulk Reg Sewer Scheme	25, 35, 37, 41 , 44	No
Upgrading Of Zwelitsha Wastewater Treatment Works	25, 35, 37, 41 , 44	No
E/L Sewer Diversion : Central To Reeston	5, 10, 16	No
East Beach Gravity Sewer Upgrade	1, 2, 3, 4, 6, 7, 8, 9, 16, 18, 19, 28, 47	No
Hood Point Marine Outflow Sewer & Auxiliary Works	19, 31, 46	No
Mdantsane Sanitation	11, 12, 14, 20, 21, 22, 23, 24, 30	No
Mdantsane Wastewater Treatment Works	11, 12, 14, 20, 21, 22, 23, 24, 30	No
<b>WATER</b>		
KWT and Bhisho Infrastructure	34,37,38,39,40,41,43,44,49,35	No
Upgrade Water Networks	26,31,32,33,36,37,38	No
Water Backlogs	26,31,32,33,36,37,38,40,50	No
Pipe And Water Meter Replacement In Bhisho, KWT & Dimbaza	34,35,36,37,38,39,40,41,43,44,49	No
Pipe And Water Meter Replacement In EI	1-10,15,16,18,27,28,29,31,32,33,46,47,50	No
Pipe And Water Meter Replacement In Mdantsane	11,12,13,14,42,48,50,17,20,23	No
Amahleke Water Supply	36	No
Alternative Water Supply	All Wards	No
Reservoirs East Coast Supply	31,46	No
Umzonyana Dam And East Coast Water Supply Upgrade	1-10,15,16,18,27,28,29,31,32,33,46,47,50	No
W/Demand Management - Water Conservation - Prv Sta	All Wards	No
Informal Settlements	31,46	No
<b>ELECTRICITY</b>		
Bulk Electrification Infrastructure Upgrading (Ring-Fenced 4%)	7,9,8,10,13,14,15,17,22,27,37,42,45,46,	No
Electrification Programme	All Wards	No
Highmast Streetlighting - Ward 12	All Wards	No
Electrification - Informal Dwelling Areas - BCMM	All Wards	No
Street Light & Highmasts - BCMM Areas Of Supply	All Wards	No
Tools And Equipment (Specialised Vehicles)	All Wards	No
Building Alterations - Beacon Bay Civic Centre & Operations Depot	28	No
Energy Efficiency Demand Side Management Programme	All Wards	No
<b>ROADS</b>		
Bowls Road Rehabilitation - Ward 3	3	No
Construction of Road Infrastructure	14	No
Construction of Road Infrastructure - Sandile-Thusi Road	14	No
Rehabilitation of BCMM Bridges And Stormwater	All Wards	No
Rehabilitation of Beaconhurst Drive	28	No
Rehabilitation of Douglas Smith Highway	6	No

CAPITAL PROGRAMME BY PROJECT BY WARD: YEAR 2021/22 (R'000)		
CAPITAL PROJECT	WARD(S) AFFECTED	WORKS COMPLETED (YES/NO)
Rehabilitation of Settlers Way	46	No
Rehabilitation of Ziphunzana Bypass	6	No
Roads Provision	16,45,26,25,41,39,29	No
Rural Roads	31,32,33,34,35,36,38,40,43,49,50	No
Upgrading of Mdantsane Roads - Cluster 1	11, 12, 14, 17, 42	No
Upgrading of Mdantsane Roads - Cluster 2	17, 20,30,48	No
Upgrading of Mdantsane Roads - Cluster 3	21, 23, 24	No
Upgrade of North East Expressway	18	No
Urban Roads - Ward 35	35	No
Urban Roads - Ward 37	37	No
Urban Roads - Ward 39	39	No
<b>HUMAN SETTLEMENTS</b>		
Potsdam Ikhwezi BI 1	24	No
Amalinda 179 Military Veterans	9, 16	No
Cluster 3	8,10	No
Potsdam Ikhwezi Block 2	24	
Potsdam North Kanana	24	No
Duncan Village Proper	1	No
Mdantsane Z 18 Cc Phase 2	23	No
Amalinda Co-op	16	No
Cluster 1	12,14,17	No
Cluster 2	11,17,20,21,30,48	No
Duncan Vill Comp/Site	1, 6	No
Braelyn Ext 10	11	No
Tyutyu Phase 3	37	No
Westbank Restitution	19	No
C Section And Triangular Site	13	No
D Hostel	7	No
Ford Msimango	6	No
N2 Road Reserve	8	No
Hani Park - Water - Isupg	11	No
Hlalani - Water - Isupg	11	No
Phola Park - Water- Isupg	34	No
Berlin Lingelitsha - Phase 1 - Water- ISUPG	45	No
Ilitha Sportsfield – Water - ISUPG	45	No
Empilisweni - Water - ISUPG	20	No
Matsheni Park - Water - ISUPG	29	No
Khayelitsha - Water - ISUPG	20	No
Xhwitinja - Water	36	No
Kwatshatushu - Water - ISUPG	44	No
Ginsberg - Water - ISUPG	39	No
Slovo Park - Water- Isupg	42	No
Ekuphumleni - Water - ISUPG	42	No
Ethembeni - Water - ISUPG	11	No

CAPITAL PROGRAMME BY PROJECT BY WARD: YEAR 2021/22 (R'000)		
CAPITAL PROJECT	WARD(S) AFFECTED	WORKS COMPLETED (YES/NO)
East Bank Restitution - Water - ISUPG	16	No
Reeston Phase 3 Stage 2	13	No
Nondula-Water	12	No
Majarantiyeni-Water	45	No
Boxwood Project	31	No
Cnip Victims Project: Cambridge West	13	No
Reeston Phase 3 Stage 3	13	No
Phakamisa South	25	No
Ilitha 49 Sites	45	No
Dimbaza Shuter Houses: Detailed Infrastructure Investigation	34	No
Mzamomhle: Peoples Housing Process	27	No
Parkhomes For Destitutes & Gbv Victims	27	No
Duncan Village Military Veterans	1	No
Purchase Of Land	All Wards	No
Mzamomhle: Peoples Housing Process	27	No
Phakamisa Sewers	25	No
Mzamomhle Roads	27	No
Lilyvale Roads	32	No
Sunnyridge Erf 271	46	No
Ziphunzana Bypass Relocation Site (TRANS)	1	No
Mdantsane Erf 81,87 &88 Relocation Site Units	23	No
Fynboss Relocation Site Units	10	No
Haven Hills TRU	10	No
Hemingways Informal Settlements	1	No
Silvertown	1	No
<b>ECONOMIC DEVELOPMENT</b>		
Building of Memorial Stones	32	No
Kiwane Resort Maintenance and Upgrade	31	No
Construction of Cabin Accommodation	31	No
Extension of Mdantsane Art Centre	42	No
Hydroponics and Packhouse - Ward 22	22	No
Hydroponics and Packhouse Project	All Wards	No
Improve Access Road and Road Signage	31	No
Informal Trade ( Hawker Stalls)	45, 47	No
Informal Trade Infrastructure (Hawker Stalls)	All Wards	No
Installation of Adventure Activities	31	No
Installation of Kiddies Play Area	31	No
Film Studio Development	31	No
Installation of Recreational Facilities	37	No
KWT Art Centre	37	No
Mdantsane Art Centre	42	No
SMME Incubator	All Wards	No
Office Furniture and Equipment (Directorate)	47	No
Restoration of Cattle Killing Heritage in KWT	36	No



CAPITAL PROGRAMME BY PROJECT BY WARD: YEAR 2021/22 (R'000)		
CAPITAL PROJECT	WARD(S) AFFECTED	WORKS COMPLETED (YES/NO)
Revitalisation of Industrial Areas	36, 24,5	No
Revitalisation of Industrial Areas	32	No
Tourism Hub	41	No
Upgrading of Buildings	All Wards	No
Upgrading of Market Hall	31	No
Upgrading of Market Hall	31	No
Water Leisure Activities	31	No
Fort Jackson Junction Hub	All Wards	No
Agri-Village	All Wards	No
SMME Incubator: Sekunjalo Training Centre	All Wards	No
<b>SPATIAL AND DEVELOPMENT PLANNING</b>		
Aerial Photography and Mapping	47	No
Plotters	47	No
Survey Software	47	No
Buxton, Electricity House and Reserve Bank Refurbishment	47	No
Orient Theatre Refurbishment	47	No
Sleeper Site Refurbishment	47	No
East London Mechanical Workshops Refurbishment	47	No
Upgrading of Electrical - Old Mutual	47	No
Upgrading of KWT Payments Hall	37	No
Land Acquisition and Buildings	All Wards	No
Land Acquisition	All Wards	No
Office Furniture and Equipment (Directorate)	All Wards	No
Sleeper Site Road	47	No
City to Sea Boulevard	47	No
Bridge Designs and Implementation	5,6,814,19,38,48,49	No
Guardrails	23,6,34,46,9,20,33,41,37	No
Sleeper Site Road	47	No
Guidance Signage	24, 43	No
Sidewalks	11,34, 22,41,44,45,46	No
Traffic Calming	22,23,37,7,30,15,6,46,9,20,37,5,33,45,18,12,21,43	No
Traffic Signals	5, 9	No
Mdantsane Access Road	5,9,10,12,13,16	No
Qumza Highway Phase 7 - Phase 1 & 2	21, 20,48	No
Taxi Rank Infrastructure (Roads and Ablution Facilities)	5,27,37,39,47	No
Taxi Rank Infrastructure (Roads & Ablution Facilities)	5,27,37,39,47	No
Taxi/Bus Embayments	All Wards	No
North West Corridor	16	No
Township Regeneration Enabling Infrastructure	All Wards	No
<b>SPORT, ARTS AND CULTURE</b>		
Development, Upgrade and Refurbishment of Sports Fields And Stadiums	All Wards	No
Plant - Sports	All Wards	No

CAPITAL PROGRAMME BY PROJECT BY WARD: YEAR 2021/22 (R'000)		
CAPITAL PROJECT	WARD(S) AFFECTED	WORKS COMPLETED (YES/NO)
Upgrading of Zoo	47	No
Plant - Zoo	47	No
Refurbishment Of Aquarium	47	No
Plant - Aquarium	47	No
Refurbishment of Nature Reserve (Boardwalks)	47	No
Plant - Nature Reserve	47	No
<b>UPGRADING OF CEMETERIES</b>		
Plant and Equipment (Cemeteries)	All Wards	No
Coast Cemeteries (Cambridge Crematorium) 2	4	No
Development of Cemeteries-Coastal	5,10 ,13,19	No
Development of Cemeteries-Inland	43, 44	No
Development of Cemeteries-Midland	24, 13	No
Inland Cemeteries (KWT / Clubview)	37	No
Inland Cemeteries (Phakamisa)	25	No
Inland Cemeteries (Zwelitsha)	41	No
Midlands Cemeteries (Fort Jackson)	24	No
Midlands Cemeteries (Mtsotso Cemetery)	14	No
Swimming Pools		
Redevelopment of Mdantsane Sport Precent - NU2 Swimming Pool	42	No
Swimming Pools	47	No
<b>COMMUNITY HALLS</b>		
Development of Community Halls and Facilities	15	No
Development of Community Halls	All Wards	No
Development of Libraries	All Wards	No
Halls-Tools and Equipment	1,2,4,5,9,12,16,19,20,21,22,24,26,27,29,47,48	Yes
Upgrading and Refurb Exist Community Halls and Facilities	All Wards	No
Construction of Gesini Hall	8	No
Construction of NU 3 Hall Ward 14	14	Yes
<b>Upgrading of Depots</b>		
Nu 6 Mdantsane Depot	20	No
Berlin Depot	45	No
Grass Cutting Equipment	All Wards	No
<b>HEALTH</b>		
Refurbishment of NU 6 Mdantsane Offices for Municipal Health Services Midland	All Wards	No
Air Monitoring Station	All Wards	No
Vehicles Municipal Health Services	All Wards	No
<b>SAFETY AND SECURITY</b>		
Office Furniture and Equipment (Directorate)	All Wards	No
Fire Engines Procured	All Wards	No
Refurbishment of Fire Engines	All Wards	No
Air Monitoring Station	All Wards	No
Closed Circuit Television Network - CCTV	43,37,25,41,44,34,36, 39	No

CAPITAL PROGRAMME BY PROJECT BY WARD: YEAR 2021/22 (R'000)		
CAPITAL PROJECT	WARD(S) AFFECTED	WORKS COMPLETED (YES/NO)
Refurbishment of Law Enforcement Offices Taylor Street KWT	37	No
Furniture and Equipment Law Enforcement Offices	47	No
Specialised Vehicles Public Safety	All Wards	No
Traffic and Law Enforcement Equipment	All Wards	No
Tactical Radio Network	All Wards	No
Fire Equipment	All Wards	No
New Fire Station - Berlin Ward 45	45	No
Furniture and Equipment Berlin Fire Station	45	No
Construction of New Disaster Management Centre	47	No
Refurbishment of Fire Stations	47	No
Refurbishment of Traffic Services Buildings - Coastal	47	No
Law Enforcement Vehicles	All Wards	No
Back-Up Generators	All Wards	No
<b>SOLID WASTE PROGRAMME</b>		
BCMM Fleet - Solid Waste Fleet and Plant	All Wards	No
Purchase of Bulk Containers with Removal Vehicles	All Wards	No
City Manager's Office		
Office Furniture and Equipment (Directorate)	All Wards	Yes
Office Furniture and Equipment - EPMO	All Wards	Yes
Coastal Municipal Court	All Wards	No
Inland Municipal Court	All Wards	No
<b>FINANCE</b>		
Office Furniture and Equipment (Directorate)	All Wards	No
Smart Metering Solutions	All Wards	No
Smart Metering Water Solutions	All Wards	No
Asset Replacements - Insurance	All Wards	No
Acquire ERP System (Asset Management System, Procurement System, etc)	All Wards	No
Construction of Office Accommodation - Customer Care Office - Midland	11, 12, 13, 14, 20, 42, 48, 50, 17, 23, 47, 46, 33	No
Cost Reflective Tariff Structure	All Wards	No
Back-Up Generators	All Wards	No
<b>CORPORATE SERVICES</b>		
Office Furniture and Equipment (Directorate)	All wards	Yes
Employee Performance Management System	All wards	No
Furniture for Interns	All Wards	Yes
<b>ICT SERVICES</b>		
Fibre Network	All Wards	No
LTE Infrastructure	All Wards	No
Disaster Recovery Enhancement	All Wards	No
Procurement of ICT Equipment	All Wards	No
Network Equipment Refresh (KWT, Mdantsane, Bhisho)	All Wards	No
Intelligent Operating Centre Hardware and Software	All Wards	No
Scanners	All Wards	No

CAPITAL PROGRAMME BY PROJECT BY WARD: YEAR 2021/22 (R'000)		
CAPITAL PROJECT	WARD(S) AFFECTED	WORKS COMPLETED (YES/NO)
<b>EXECUTIVE SUPPORT</b>		
Office Furniture and Equipment (Directorate)	All Wards	Yes
Councillors Office Equipment	All Wards	Yes
Computer Equipment for New Councillors	All Wards	Yes
Replacement of Council Chamber Horseshoe Leather Chairs and Tables C/O	All Wards	No
KWT Council Chamber Chairs C/O	All Wards	Yes
Bhisho Council Chamber Chairs C/O	All Wards	Yes
KWT Mayor's Parlour Office Furniture C/O	All Wards	Yes
Councillors and Traditional Leader's Furniture and Equipment for a New Term of Councillors C/O	All Wards	Yes
Office Furniture and Equipment (Directorate) C/O	All Wards	Yes
Fleet		
BCMM Fleet Plant Specialised Equipment and Solid Waste Vehicles	All Wards	No

TO

# **APPENDIX P**

## **Service Connection Backlogs at Schools and Clinics**

## APPENDIX P

### SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

**NB. The information required on this Appendix is not applicable for BCMM**





## **APPENDIX Q**

# **Service Backlogs Experienced by the Community where another Sphere of Government is Responsible for Service Provision**

## APPENDIX Q

### SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

NB. The information required on this Appendix is not applicable for BCMM



## **APPENDIX R**

# **Declaration of Loans and Grants made by the Municipality**

## APPENDIX R

### DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

BCMM did not take loans during the year under review



## **APPENDIX S**

# **Declaration of Returns not made in due Time under MFMA S71**

## APPENDIX S

### DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

**NB. The information required on this Appendix is not applicable for BCMM**





# **APPENDIX T**

## **National and Provincial Outcome for Local Government**

## APPENDIX T

### NATIONAL AND PROVINCIAL OUTCOME FOR LOCAL GOVERNMENT

**NB. The information required on this Appendix is not applicable for BCMM**

# DRAFT BCMDA INTEGRATED ANNUAL REPORT 2021/2022



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY



**BCMDA**  
**BUFFALO CITY METROPOLITAN**  
DEVELOPMENT AGENCY

**Buffalo City Metropolitan Development Agency**

**Integrated Annual Report 2021/22**

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## **PART A: FOREWORDS AND EXECUTIVE SUMMARY**

### **1. About the entity**

The Buffalo City Metropolitan Development Agency (BCMDA) is a municipal entity wholly owned by the Buffalo City Metropolitan Municipality. It is a successor to the Buffalo City Development Agency that was established as a non-profit company by the Municipality in 2004.

As the legislation evolved over time, it was deemed necessary to become a profit orientated company and BCMDA was established as a profit company on 20 April 2016 through a Memorandum of Incorporation, in terms of the Companies Act, 1973 as amended. This allows the Agency to transact, generate funds and have a borrowing capacity to carry its mandate to increase economic growth through tourism, economic and social development as well as property management and commercialisation.

The BCMDA is established as a juristic person operating as a municipal entity, which has been classified in terms of the Municipal Finance Management Act. As an entity of BCMM, the BCMDA thus extends the BCMM's capability with respect to the identification, planning and implementation of development projects for the benefit of the entire municipal area.

The BCMDA's outcomes are aligned with those set out in the Buffalo City Metropolitan Municipality's (BCMM) 2017/18–2020/21 integrated development plan and the BCMM 2030 Metro Growth and Development Strategy (MGDS 2030).

### **STATEMENT BY THE HONORABLE MAYOR**

Stakeholders and residents, I am pleased to present the annual report of the Buffalo City Metropolitan Municipality for 2021/22 financial year. I want to take the time to remind us that this Agency was set up to deal with socio-economic infrastructure development and ensure the benefits of tourism is maximized for the benefit of the City. These two areas we believe are meant to change the face of the city for the better.

As a Metro and a country, we on the road to recovery from the economic and social ravages of COVID 19 who's impact is still being felt during the slow recovery. This has been exacerbated by the impact of natural disasters in our Metro, loadshedding and lackluster growth in the global and South African economy.

The infrastructure in our City remains a key building block towards a successful City were residents are active participants in its development and growth, lively culture and an active industrial base for the creation of employment for our residents thereby pushing back the frontiers of poverty. We want to ensure that our theme for this year being An Active Agent for Development: A City Hard at Work is made a reality.

Notwithstanding the economic and social challenges and aspirations as a City, I am pleased to see that the BCMDA is an active participant in a City Hard at Work. I am also pleased to see that over the years it has built a working institution for development by setting up adequate systems and structures with internal checks and balances for delivery by ensuring it has the level professionalism, service and commitment able to withstand changes and adversity. The BCMDA still remains at the centre of any socio-economic and tourism developmental programme and is the City's instrument to achieve that.

In this regard I have taken note of the sustained progress made with the Court Crescent and World in particular and I am pleased to see other projects start to push through the ground into viable prospects. The work undertaken to deepen tourism especially considering our deep heritage and make it a competitive sector in the City is commendable and significant results are expected with the work on tourism route development in the current year.

The work undertaken with Marina Glen A, the Sleeper Site, Seaview Terrace and Victoria Gardens encourages and also promises to be significant contributors to the growth of the City. These projects are critical, and the attraction of the private sector and lessen reliance on the City and its tight budget.

I want to thank the outgoing Board under the leadership of Mr Tembinkosi Bonakele for steering the formation and stabilization of the Agency to where it is now. We affirm that it remains, true to its founding tenants remains nimble, agile and efficient so that it delivers for the City and its residents.

## 2. CHAIRPERSONS STATEMENT

I am pleased with the successes with the preparatory steps taken by the Buffalo City Metropolitan Development Agency (BCMDA) to implement its strategy and whilst overcoming numerous systematic challenges it faced since its birth as an Agency. The challenges in pushing through the ground as it was formed five years ago to cater for infrastructure development were compounded by an external environment characterised by constrained economic growth and budgetary and fiscal challenges in the National, Provincial and local spheres. All these constrained operating environments were limited by COVID 19 which impacted the ability of the Agency to reach its socio-economic impact.

The period under review experienced one of the most depressed construction sector recovering from a series of lockdowns and energy shortfalls which impacted the core work of the Agency resulting in slower than expected completion of two critical social infrastructure projects namely Court Crescent and Water World. These two factors coupled with the global slowdown in growth when considering the interrelatedness of our City worldwide worsened the outlook for unemployment in those projects and similarly other projects in the pipeline were delayed because investors relooked and reviewed their investment decisions in key areas of development.

Despite these challenges as a Board we continued to create value for the City our Shareholder in ensuring that we act and lead ethically, create a culture of performance and risk management, be custodians of corporate governance and ensure that we involve stakeholders in our approach to project implementation and management. These approaches are enshrined in the King Code and related governing legislation for which the Board espouses on behalf of the Municipal Council of the Buffalo City Metropolitan.

I am pleased to state that the Agency continued to implement its program related to creating a dynamic tourism environment, be an attractive investment destination, create a viable property market and deliver on socio-economic projects whilst ensuring we have a well governed and viable entity. The underlying work in the Tourism Infrastructure Master plan especially route development, and creation of public art has made significant strides. Likewise, groundwork for the Marina Glen A, sleeper site, Seaview terrace and Victoria Gardens developments have taken steps towards implementation and breaking ground. These projects are new, exciting and also much needed boost to the profile of the City.

The Agency also continued with its public safety and security, integrated beachfront programme and finalization of the Waterworld and Court Crescent projects. The sustained work in these

projects coupled with the integrated waste management, greening and beautification programme is meant ensure we maintain and manage what we have for the generations that come after us. I am pleased to also report that we are also a caring Agency having supported five non-profit organisation with the projects in their strategy.

In the coming year the Board intends to review the strategy of the Agency to determine if we are on track to ensuring we deliver higher development value to the City whilst we create and sustain a viable Agency. This value will look to issues related to reindustrialization efforts, higher employment and socio-economic growth through our projects, future development of the City's infrastructure to attract higher levels of investment, and growth and finally diversified income streams for the Agency. In all of this work, we look forward to continued support and responsiveness of the Shareholder to our capitalization requirements which will help improve capabilities of the Agency for future endeavors.

We are pleased that the BCMDA has achieved a sixth consecutive unqualified audit opinion, this highlights a testament to its commitment to sound corporate governance principles. This achievement underlies the work of building a credible, financially viable and fully capacitated Agency that build Shareholder and funder confidence. We express our sincere gratitude to the Shareholder, funders, broader Buffalo City Metro business community and the various members of the public for their continued support in helping the Agency as well this City in building a world class City at Work and sustained growth. The Agency is also mindful of the collaborative efforts of the previous Board and the work management team in building a capable Agency for socio-economic development and redress.

---

**Ms. Nolitha Pietersen**

**Chair of the Board**

### 3. CHIEF EXECUTIVE OFFICERS REPORT

With regard the Agency I am delighted to present the BCMDA annual report for the 2021/22 financial year with due consideration of the economic environment in which the Agency operates and, the environment created by the COVID-19 pandemic which has affected many businesses in the City bearing in mind that the National State of Disaster has only been lifted as from 5 April 2022 whilst the adjusted alert level 1 was in place from 1 October 2021 to 4 April 2022.

#### STRATEGY

In the year under review the Agency continued to pursue the five outcomes it set self which are:

Outcome 1: A dynamic tourism attractions.

Outcome 2: Attractive home for global investment.

Outcome 3: A robust property market

Outcome 4: Deliver socio-economic development programmes.

Outcome 5: Well-governed and viable agency.

**Outcome 1** focuses on the collection and dissemination of a robust tourism, market, research, and intelligence. It further includes creating an enabling environment for tourism product development and signature events.

**Outcome 2** deals with the sustainability and profitability of the BCMDA's investment portfolio as well as increased investment in Tourism, Property, and Industrial Sectors.

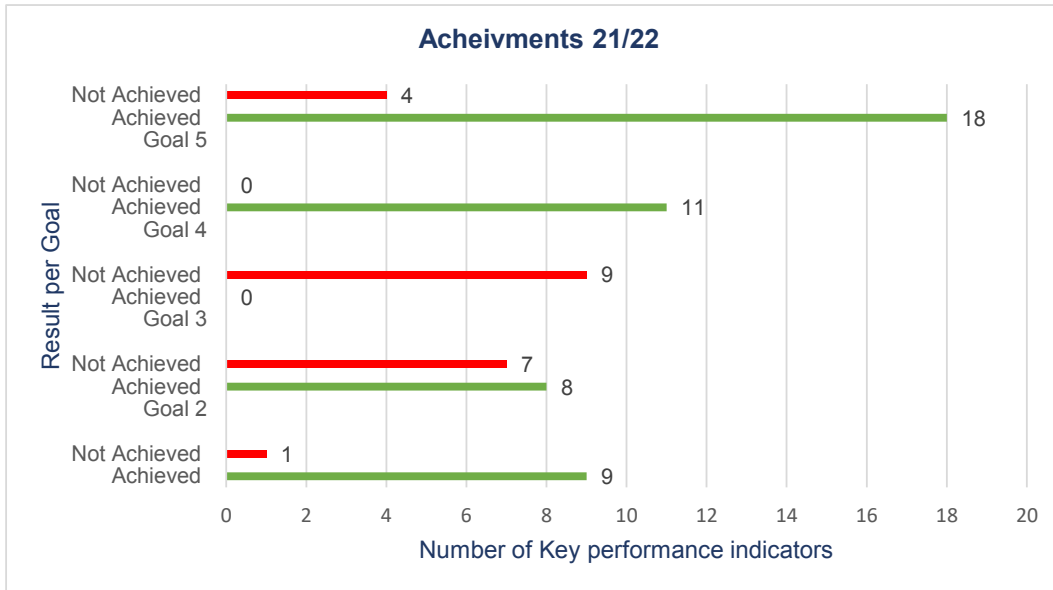
**Outcome 3** focuses on acquiring property for development, revitalisation of urban and rural spaces in the Metro, implementation of integrated initiatives for beachfront development.

**Outcome 4** focuses on implementing the Agency's socio-economic development programme. This includes developing programme that enable the inclusive participation in tourism, rural development, and industrial economic sectors.

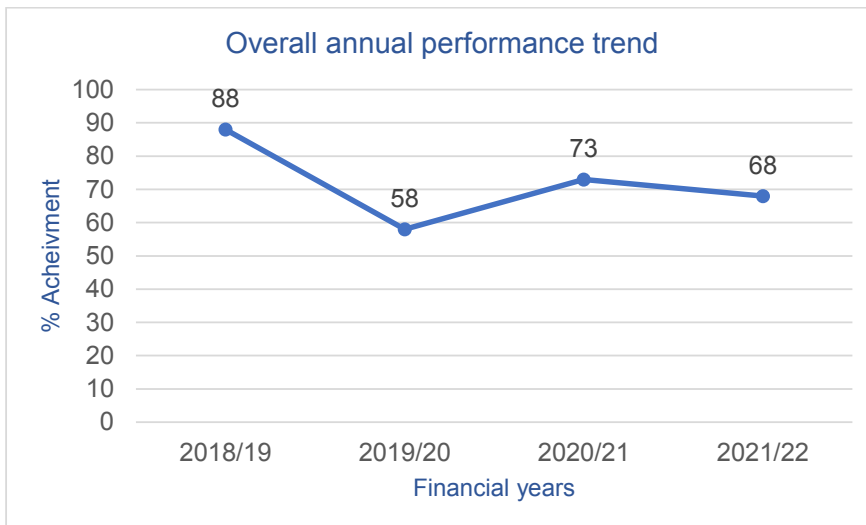
**Outcome 5** deals primarily with the financial health of the institution and shared services to support the institution.

In the year under review the following scorecard was achieved. In total, 68% of the targets set were achieved for the year down from 73% from the previous year due to the lingering effects of the pandemic and delays created by the moratorium on procurement by National Treasury.





Historically the trend indicates the following:



**HUMAN RESOURCES**

The BCMDA has commenced with an organisational development process as an outcome of the review of the strategy. BCMDA aims to be an employer of choice and skills attraction and retention was key. In doing so the Agency endeavoured to appoint senior level staff to drive the core areas of the work of the entity especially in organisational Strategy, Property Development and Management and Investment Promotion and Management. The process to do such has commenced and should bear fruit in the new year. The Agency continued to ensure that policies are updated, critical vacancies are replenished, performance management and learning and

development was undertaken to ensure the core competencies of the agency is retained to deliver on the mandate of the Agency.

### **OPERATIONAL ENVIRONMENT**

The Agency resolved that the core areas of work especially in the undertaking of property management and development, investment promotion and socio-economic development remained key and top of mind in its resolve to ensure its an innovative agency that catalyses investment opportunities for vibrant, integrated, and inclusive city.

With respect to creating a dynamic tourist city, it has been four years since the agency begun its work to develop the tourism development program. This program has been capacitated and the program aims to ensure that tourism infrastructure, routes and prioritisation remains a priority in every area of the City. The City must think as if everyone is a tourist and ensure its meet minimum standards yet be exciting and vibrant in its offering. BCMDA has piloted the Duncan Village route with a story line aimed at ensuring that narrative is told accurately and phase one has been finalised which is the refurbishment of the Dr Rubusane's grave site. More work is being planned to be done to the Mzonyane grave site. In the next three years work is planned for the installation of interactive interpretative boards, deepening the tourism routes especially in Mdatsane, Qonce, Bhisho and Dimbaza. These are meant to ensure we create businesses cases and stakeholder engagements with potential partners.

Likewise, the Agency aimed in the year under review to become a globally attractive home for investments and economic development. Industrialisation remains a key anchor whilst looking for alternative sources of revenue especially through a development facilitation fee. Apart from the Water World and Court Crescent projects which are 80% complete work has commenced in deepening the pipeline of projects. I am pleased to announce the following:

- a. Marina Glen A proposed for a mixed-use development site. To this end a turnkey property developer has been appointed.
- b. Sleeper site also proposed for a mixed-use development especially to cater for students, here also a turnkey property developer has been appointed to consider not only the physical aspects but also the community, heritage and cultural considerations.
- c. Seaview terrace is also prime land aimed at ensuring it developed and as such a notarial lease has been signed with an investor for its development.
- d. The project for Victoria grounds development in Qonce has also progressed well with an investor being secured to develop the site. Social facilitation has commenced to ensure that the right type and form development is undertaken for the area.

Property development and management remained a core area along with development of other strategic programmes aimed at ensuring we have a world class city. For the year under review I am pleased that the business improvement district strategy, public safety and security program, integrated beachfront programme and Water World and Court Crescent developments achieved significant results.

In the public safety and security programme, 56 people with 8 security guards were employed to ensure that the beachfront is patrolled and safe 24 hours a day. This contributes to lowering crime and increasing safety for tourists and residents. This programme as well the planning that has been undertaken for the integrated beach programme is meant to ensure develop a formidable water front to attract tourism to the City. Work is progressing well.

I am also pleased to announce that with Water World and Court Crescent although the approvals and authorizations to appoint Project Managers on both projects happened May 2019 coupled with numerous lockdowns the projects are 80% complete and BCMDA ensured local participation in these projects with 30% of the construction works set aside for SMME's and 70% participation from localised labourers.

BCMDA also significantly contributed to the creation of a greener City by ensuring the integrated waste management, greening and beautification programme. The programme is funded by the National Treasury as a Public Employment Programme under the Presidential Stimulus Fund kicked off in June 2022. It was piloted at the coastal part of the metro and 8 sites were identified for implementation, these include amongst others, three sites in Mdantsane, a site in Duncan Village as well as Southernwood. A notable achievement to this end was the Agency's instrumental role in planning and supporting the launch of the Presidential Good Greed Deeds Programme.

This project forms part of the Good Green Deeds and city-wide waste management projects funded by the national Department of Environmental Affairs, and which was launched by the President of the Republic on 8 March 2019. The project provides labour intensive work opportunities to mostly youth and women Metro-wide and will run for at least 12 months. Participants work an 8-hour day for 5 days and were further capacitated with various training opportunities. It was agreed that initial the pilot phase of the project would focus on the Metro's coastal region, to this end the following sites have been receiving services from the BCMDA Mdantsane : NU 2 rent office precinct, Mdantsane: Corner of Lutheran, Mdantsane: NU 5 rent office precinct, Duncan Village: Post Office Precinct, Amalinda: Haven Hills and Highway garden, Southernwood: Gateway road towards Baysville, Quigney: ABSA Stadium precinct, Nompumelelo: From the Beacon Bay Crossing Park to Mirfield traffic circle and Gonubie: Mzamomhle township.

At the end of the year, the project had concluded recruitment of the build of the workforce with 188 participants. A total of 178 of these participants were from the street cleaning, waste collection and separation components of the project. A total of 10 participants were from the textile component

of the programme. Participants participated in an extensive induction programme which was conducted in partnership with the Department of Employment and Labour.

### **FINANCIAL SUSTAINABILITY**

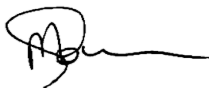
BCMDA is still committed to ensuring it remains financially sustainable and able to wean itself off the reliance on the City. In the year revenue recognised was at 77% and was primarily driven by a variance BCMM operational grant due to output VAT accounted for on the operational grant by virtue of being a profit-making organisation. Due to the operational and project nature of the work undertaken some work started later and some revenue was received later making revenue unpredictable however within manageable ranges.

The agency did experience under expenditure of 23% emanating mainly from late transfers of funds and delays in delivery of goods and services. Overall the Agency remains a going concern and there is sufficient liquid resources to continue with operations.

### **FUTURE OUTLOOK AND GRATITUDE**

BCMDA's outlook remains positive as it begins deepening and expanding its property and investment portfolios based on a solid strategy for sustainability. In the coming year, the Agency will focus on reviewing its strategy, focus on the property portfolio to ensure that it responds to the Shareholders requests and residents. It is envisaged that completion of Water World and Court Crescent will be completed. Careful attention will be paid to the projects in the pipeline, the manner of contracting and management of the projects and implementation with a keen eye for extracting maximum value from assets.

Finally, I sincerely thank the Board and the executive team for their steadfast support and wise counsel. I am thankful to the City, the Municipal Council, Mayor and Deputy Mayor for always giving us leadership, policy direction and guidance. This support is not taken for granted and places the Agency in an upward growth path. I extend my appreciation to the entire BCMDA staff for their support, resilience, and hard work.




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**Mr. Mxolisi Sibam**

**Interim Chief Executive Officer**

#### 4. CHIEF FINANCIAL OFFICERS REPORT

The Agency had an approved 3<sup>rd</sup> adjusted budget of R179.8 million, which includes an operational budget of R 80.9 million and capital expenditure budget of R 98.9 million. From the R 80.9 million operational budget, R 48.8 million was allocated as an operational grant, R 15.5 million as a Neighbourhood Development Grant, R7.6 million as a Public Employment Programme from its parent municipality, Buffalo City Metropolitan Municipality, herein referred to as BCMM. The performance of the Agency as reflected within this report represents the actual performance against the adjusted budget for the twelve months ended 30 June 2022, with regard to both operational and capital expenditure.

The table below reflects the summarised financial performance for the period under review. In this period the Agency reported a deficit of R649 746.

##### Financial Performance as at 30 June 2022

Description	Approved 2 <sup>nd</sup> adjusted budget (2021/22)	Approved 3 <sup>rd</sup> Adjusted Budget (2021/22)	Year to date actual	Variance	% Variance
<b>Revenue</b>	<b>129 721 322</b>	<b>179 838 546</b>	<b>137 757 172</b>	<b>42 081 374</b>	<b>23%</b>
BCMM Grant - Operational	48 468 515	48 468 515	42 146 535	6 321 980	13%
BCMM Grant – Capital Projects	51 362 557	97 767 394	83 219 181	14 548 213	15%
Neighbourhood Development Grant	15 505 405	15 505 405	4 403 242	11 102 163	72%
Public Employment Programme	7 658 300	7 658 300	358 678	7 299 622	95%
DFFE Grant	68 639	68 639	68 639	0	0%
LGSETA Grant	42 152	42 152	38 094	4 058	10%
Project Management Fees	4 548 880	8 261 267	6 657 534	1 603 733	19%
Development Levy	1 313 567	1 313 567	0	1 313 567	100%
Interest Received	713 645	713 645	721 782	-8 137	-1%
Other income	39 662	39 662	143 487	-103 825	-262%
<b>Expenditure</b>	<b>129 721 322</b>	<b>179 838 546</b>	<b>137 107 426</b>	<b>42 731 120</b>	<b>24%</b>
General Expenditure	27 155 129	30 867 516	22 100 199	8 767 317	28%
Employee Related Costs	22 287 060	22 287 060	22 228 969	58 091	0%
BCMM Recreational projects expenditure	51 362 557	97 767 394	83 219 181	14 548 213	15%
Neighbourhood Development Programme	15 505 405	15 505 405	4 731 736	10 773 669	69%
DFFE	68 639	68 639	68 639	0	0%
Board Fees	3 339 224	3 339 224	2 657 361	681 863	20%

Description	Approved 2 <sup>nd</sup> adjusted budget (2021/22)	Approved 3 <sup>rd</sup> Adjusted Budget (2021/22)	Year to date actual	Variance	% Variance
Depreciation	1 140 723	1 140 723	1 111 368	29 355	3%
Finance Charges	4 285	4 285	1	4 284	100%
Public Employment Programme	7 658 300	7 658 300	358 678	7 299 622	95%
Capital Expenditure	1 200 000	1 200 000	631 294	568 706	47%
<b>Surplus/Deficit</b>	<b>R0</b>	<b>R0</b>	<b>R649 746</b>	<b>-R649 746</b>	

### Revenue

From the revenue sources depicted in the table above, an overall 77% has been recognised as revenue for the period ended 30 June 2022. This is below the expected 100%. Reasons for this are outlined below:

- There is 13% variance on the BCMM operational grant due to output VAT accounted for on the operational grant by virtue of being a profit-making organisation.
- There is 72% variance on the Neighbourhood Development Grant which is as a result of the delayed start of the project. The amount recognised as revenue is equivalent to that recognised as expenditure because it is a conditional grant.
- The Public Employment Programme Grant started towards the end of the financial year hence the variance of 95%.
- Own revenue is mainly made up of interest received from the bank, project management fees and the development facilitation fee. No fees were realised on the development facilitation as the development agreements of the land parcels were not concluded by year- end as anticipated.
- There is further a difference of R83 million between the revenue presented on the management accounts above and the annual financial statements. The difference is as a result of the application of the standard on principal agent relationships. It's depicted above, for the reader to see the expenditure and related revenue on recreational projects against the allocated budget.



**Expenditure**

There is an overall under expenditure of 23% emanating mainly from the following:

- The Neighbourhood Development Grant and Public Employment Programme have variance of 69 and 95% respectively, reasons are the same as above.
- There is 47% on capital operating expenditure, which is because of delays experienced with delivery of goods procured from service providers for example computer equipment.
- There was 28% variance on general expenditure line item resulting from delayed expenditure on items carrying huge budget within general expenses.
- Interest incurred was far less than anticipated.



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Chief Financial Officer  
Mrs Vicky Ntsodo-Boyce

## PART B: STRATEGIC OVERVIEW

### 5. Strategy overview

The BCMDA is an agency of the Buffalo City Metropolitan Municipality, seeking to create a vibrant, integrated, and inclusive Metro. The core ideology of the BCMDA is captured in its Vision, Mission and Core Values, as detailed below.

#### Vision

An innovative agency that catalyses investment opportunities for a vibrant, integrated, and inclusive city.

#### Mission

To build a vibrant, integrated, and inclusive city through promoting investment in property, tourism, and socioeconomic development for the benefit of citizens.

#### Values

As BCMDA we will strive to **perform** our functions in a **professional** and **transparent** manner guided by the highest levels of **integrity** whilst delivering high **quality** products and services and **accountable** to our stakeholders. The BCMDA has therefore defined the following guiding values in its operations:

- Agility
- Innovation
- Integration and alignment
- Efficiency and effectiveness
- Accessible
- Professional and Accountable

#### Mandate

The BCMDA is a municipal entity wholly owned by the Buffalo City Metropolitan Municipality, established as a profit company in 2016, in terms of the Companies Act, 1973 as amended. This allows the Agency to transact, generate funds and have a borrowing capacity to carry its mandate to increase economic growth through tourism, economic and social development as well as property management and commercialisation.

The BCMDA is established as a juristic person operating as a municipal entity, which has been classified in terms of the Municipal Finance Management Act. As an entity of BCMM, the BCMDA

thus extends the BCMM's capability with respect to the identification, planning and implementation of development projects for the benefit of the entire municipal area.

According to Chapter 8A S86B (1)(a) of the Municipal Systems Act 44 of 2003 (MSA), a provision is made of a private company as a municipal entity. The amended act provides: the municipality may establish a private company for purposes of performing a function or power in accordance with business practices in order to achieve the strategic objectives of the municipality more effectively and to the benefit of the community.

In 2011, the Buffalo City Municipality attained a metropolitan status, which subsequently led to a revision of its organisational structure to align to the metro requirements. This resulted in the incorporation of BCMDA, with a new mandate. The primary mandate of the Buffalo City Metropolitan Development Agency is to:

- Attract investors into Buffalo City,
- Increase economic growth through tourism, economic and social development and
- Property management and commercialisation.

The mandate was approved by the council on 11 December 2015 and is summarised below:

- a. Property Development – regeneration of the city through the effective acquisition and management of land and buildings,
- b. Tourism Development – act as a tourism agency and promote tourism within Buffalo City,
- c. Investment Promotion – promotion and facilitation of investment in the City, and
- d. Socio-economic Development – the facilitation of programmes and projects geared towards socioeconomic development within the City.

### **Strategic Goals**

The Buffalo City Metropolitan Municipality strives to realise the following 5 strategic outcomes by the year 2030, which the BCMDA has a big role to play towards their achievement:

- a. **An inclusive and sustainable economic growth** – with rapid and inclusive growth, and falling unemployment,
- b. **A clean and environmentally sustainable city** – environmentally sustainable with optimal benefits from our natural assets. A clean and health city of subtropical gardens,
- c. **A globally connected city** – high quality (and competitively priced) connections to ICT, electricity, and transport networks (inside the city and to the outside world),
- d. **A spatially transformed city** – the spatial divisions and fragmentation of the apartheid past are progressively overcome, and township economies have become more productive, and

- e. **A well governed city** – a smart and responsive municipality (working with other levels of government) that plans and efficiently delivers high quality services and cost-effective infrastructure, without maladministration and political disruptions.

The Metro Growth and Development Strategy (MGDS) is set as the City's foundation for the future, aimed at mobilising partners and stakeholders to work together towards shared programme goals, encouraging business and stakeholders to commit to a common vision. BCMDA has a critical role to play in ensuring the City realises its strategic aspirations by performing both a facilitation function as well as a delivery function.

The BCMDA impact statement for the 5-year strategic period is:

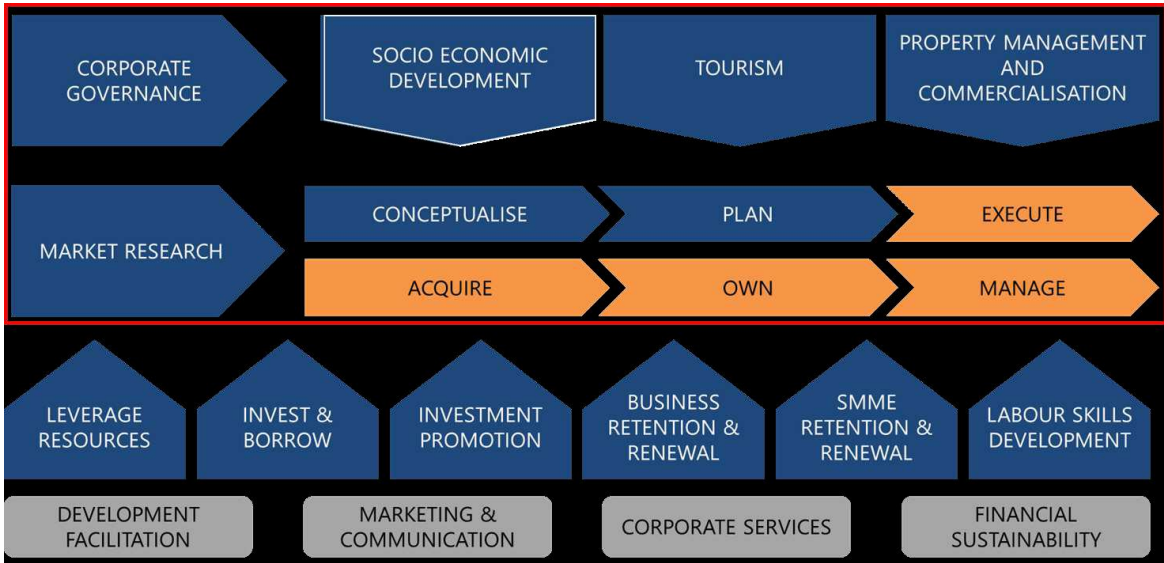
**Creating a uniquely homecoming African-global city that drives inclusive opportunities and prospects that improve the quality of life for its citizens**

Following from the impact statement, the organisation set five strategic outcomes, which will be measured over the five (5) year period, forming part of the 5-year strategy. The strategic outcomes for the organisation over the term are:

- a. dynamic tourist attraction,
- b. attractive home for global investments,
- c. a robust property market,
- d. delivered socio-economic development programmes, and
- e. a well-governed and viable agency.

**The BCMDA value-chain**

The BCMDA's mandate articulates the role of property development and management in generating value for the city. The agency is mandated with attracting investments into the Metro to fuel growth in Tourism, Economic and Social Development. As part of the strategy review process, the BCMDA value-chain was revisited and revised, as per the 2021 – 2026 Strategic Plan. The current value chain of the agency is set up towards realizing that mandate, as per the figure below.



## PART C: GOVERNANCE

### 6. About the report

The preparation of the Integrated Buffalo City Metropolitan Development Agency (BCMDA) is guided by circular 63 of the Municipal Finance Management Act (MFMA) (2003), issued by the National Treasury. The BCMDA being an entity wholly funded and owned by the Municipality reports according to these standards in line with clause section 121 subsection (1) which states that “Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter”.

The Act prescribes the content municipalities should cover in their annual reports in chapter 12 “Financial Reporting and Auditing” section 121 to section 134. In this regard the 2021/22 integrated annual report provides the required data and tables, in line with the above the purpose of this report is to:

- Provide a record of activities of the Agency during the financial 2021/22
- Provide an account on the performance against the budget of the Agency’s for the 2021/22 financial year.
- Provide the state of affairs of the Agency with reference to its business activities and its financial position as at the end of the financial year.
- To promote accountability to the local community for the decisions made throughout the year by the Agency.

To comply with local and international sustainable reporting best practice guidelines, the 2021/22 integrated annual report also considers the financial, social and economic factors in reporting on the BCMDA’s operations. The guidelines applied include:

- Reporting requirements as per the Municipal Finance Management Act No. 56 of 2003, Circular 63 (MFMA)
- The South African Statements of Generally Recognised Accounting Practice (GRAP)
- Section 46(1) of the Municipal Systems Act (2000).
- King Code of Governance for South Africa
- National Treasury Guidelines and Regulations

#### **Materiality**

The BCMDA applies the principle of materiality to determine the nature, timing and extent of the disclosures in its annual reports. A matter is material if it is of such relevance and importance that it could substantially influence an assessment of the report and the entity’s ability to create value



in the short, medium and long term. The following internal and external criteria were used to identify material issues:

**Table 1: Internal and External Materiality**

Internal Criteria	External Criteria
The BCMDA's mission, vision and values.	Priorities and support of national and provincial government.
The goals and objectives of the MGDS 2030	The priorities and support of local government
The expectations of the shareholder.	The socioeconomic development agenda.
BCMDA's governance framework and policy environment.	Factors that may affect the BCMDA's reputation and influence its ability to promote the economic development of Buffalo City.
The expectations and feedback of stakeholders such as residents, ratepayers, the business community, civil society, national and provincial government, neighbouring municipalities, and designated targeted groups.	The provisions of various frameworks, including the MFMA, section 46(1) of the Municipal Systems Act, King IV, the International Financial Reporting Standards, the Millennium Development Goals, and the broad-based black economic empowerment (BBBEE) code.

Material issues are embedded into the company's processes in at least the following four ways that ensure efficiency and impact:

- **Strategy:** To feed into ongoing strategy development by highlighting rapidly emerging issues and enabling them to be factored into strategy development and possibly addressed as business opportunities, rather than ignored until they become business risks.
- **Performance:** To promote internal understanding of the link between environmental, social, and governance issues and business performance. The materiality determination provides a link between issue experts and strategic and operational managers.
- **Stakeholder engagement:** To provide a framework to design stakeholder engagement strategies and a powerful tool to help identify opportunities for dialogue and collaboration.
- **Reporting:** To determine the scope of reporting and other communications so that they are more strategically aligned and useful to external stakeholders.

## 7. Corporate Governance Statement

## 7.1 Corporate governance structures

Good Corporate governance is essentially about effective and ethical leadership by the BCMDA Board. It requires leadership that can integrate decision-making, business strategy and sustainability. It also calls for an inclusive and collaborative approach with stakeholders, to ensure effective engagement and in order to ensure all stakeholders interests are considered in decision-making.

The Board ensures compliance with the King Code IV of Corporate Governance practices and strives towards the achievement of Ethical culture, good performance, effective control and legitimacy.

The Board consists of most Non-Executive Directors and one Executive Director which is the CEO. The Board works collectively in executing its fiduciary duties effectively and has maintained good and strong relations with the Chief Executive Officer.

The BCMDA recognises that conducting its affairs with integrity will ensure that the public and its parent municipality, BCMM will have confidence in its work. To that end the BCMDA's Board of Directors and executive management team subscribe to the governance principles set out in the Code of Conduct for Directors referred to in section 93L of the Municipal Systems Act, circular 63 of the MFMA and the King Code.

The Board also actively reviews and enhances the:

- a. Systems of internal control and governance procedures in place to ensure that the Agency is managed ethically and within prudently determined risk parameters.
- b. Performs according to a service delivery agreement and performance objectives set by the Buffalo City Metropolitan Municipality.
- c. Management is accountable for strategic and operational matters to the Board of Directors, which controls and maintains a fiduciary relationship with the company. The BCMDA coordinates its area-based development activities and other catalytic interventions with BCMM and engages with functional departments in the design and construction of infrastructure assets. The Board and management team are committed to the principles of openness, integrity and accountability advocated by the King Code principles.
- d. The work of internal audit so that regular feedback to the Audit and Risk Committee, which is responsible for monitoring compliance.
- e. The process of shareholder and other stakeholder assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices.

- f. The Board is responsible for ensuring that the entity complies with applicable laws and considers adherence to non-binding rules, codes and standards. The company secretary certifies that all statutory returns have been submitted to the Registrar of Companies in terms of section 268(d) of the Companies Act. The internal audit team provides assurance on the BCMDA's compliance with laws and regulations.

## 7.2 Board of Directors

The BCMDA has a single shareholder which is the Buffalo City Metropolitan Municipality (BCMM). For the current financial year, the Board consisted of eight (8) members whose term was effective from 01 September 2019 until 31<sup>st</sup> of August 2022.

The Board is constituted as follows:

- Eight non-executive Directors
- A Councillor from BCMM who serve as a non-voting observer
- The Chief Executive Officer as an ex officio member
- The Chief Financial Officer who is a permanent invitee.

The contribution of the Board is derived from the wide range of skills they collectively possess inter alia, business administration, finance, accounting, human resources, public sector management etc. The Board is the Core of the Agency's corporate governance architecture and is responsible for:

- Providing a clear strategic Direction to the Agency.
- Ensuring that appropriate management structures are in place to ensure day to day.
- Promoting a culture of ethical behaviour.
- Entrenching sound corporate governance through an integrated governance structure; and
- Compliance with all relevant laws, regulation and codes of practice.

The Board of Directors of the Agency meets at regular intervals, retains full and effective control over the entity and monitors the implementation of the entity's strategic programmes by the executive management through a structured approach to reporting and accountability. It also sets the strategic direction and monitors overall performance. All Board Committees are chaired by independent non-executive directors.

Board Member	Capacity	Race	Gender	Qualifications/skills/ expertise	Committee Membership
<b>Mr. Tembinkosi Bonakele</b>	Chairperson of the Board	African	Male	- PHD candidate, University of London Faculty of Law. - Masters in Business Administration.	GSEC Chairperson

Board Member	Capacity	Race	Gender	Qualifications/skills/ expertise	Committee Membership
				<ul style="list-style-type: none"> <li>- Practical legal training, Law Society of South Africa, Port Elizabeth</li> <li>- LLB, University of Fort Hare</li> </ul>	
<b>Mr. Chuma Sangqu</b>	Member	African	Male	<ul style="list-style-type: none"> <li>- Bachelor's Degree in Arts, University of the Western Cape.</li> <li>- Bachelor's Degree Honours in Arts, University of the Western Cape.</li> <li>- Certificate in Human Services (project management)</li> <li>- Certificate in Project Management</li> </ul>	PDIC Chairperson & GSEC
<b>Ms. Mankomo Ulyth Pango</b>	Member	African	Female	<ul style="list-style-type: none"> <li>- Teacher Diploma, Healdtown Training School.</li> <li>- IPM Certificate.</li> </ul>	OC&GSEC
<b>Ms Tobeka Buswana</b>	Member	African	Female	<ul style="list-style-type: none"> <li>- National Diploma in Analytical Chemistry, WITS Technikon.</li> <li>- Diploma in Youth Development, UNISA.</li> <li>- NQF7 Leadership Development Programme, University of Pretoria.</li> <li>- Digital Media Management and Regulation, University of Pretoria.</li> <li>- Public Sector Corporate Governance, Ikhaya Training Academy.</li> </ul>	OC Chairperson & GSEC
<b>Mrs Tandiwe Gondongwana</b>	Member	African	Female	<ul style="list-style-type: none"> <li>- Higher Diploma in Education, University of Fort Hare.</li> <li>- Bachelor of Education, UNISA.</li> <li>- Diploma in Business Management, Damelin.</li> </ul>	OC & PDIC
<b>Ms. Sibongile Boo</b>	Member	African	Female	<ul style="list-style-type: none"> <li>- Bachelor of Engineering (Civil Engineering), Ryerson Polytechnic University</li> </ul>	OC & PDIC
<b>Mr. Barry Canning</b>	Member	African	Male	<ul style="list-style-type: none"> <li>- Diploma in Mechanical Technician, Technical College.</li> <li>- Diploma in Mechanical Engineering, Technical College, Cape Town</li> <li>- Graduate Diploma in Business Management, Henley Business School, United Kingdom.</li> <li>- Master's in Business Administration, Henley Business School, United Kingdom</li> </ul>	PDIC
<b>Mr. Luncedo Njezula</b>	Member	African	Male	<ul style="list-style-type: none"> <li>- Master's in Public Management, Regenesys School of Public Management.</li> <li>- Honour's Degree in Bachelor of Arts, UNISA.</li> <li>- Bachelor of Arts, Vista University</li> <li>- Certificate in Human Resource, Centre for Business Management.</li> <li>- Certificate in basic needs of Public Relations, ProVox Centre for Public Relations and Communications Management.</li> <li>- Certificate in Finance for Non-Financial Managers course, Rhodes University.</li> </ul>	OC & PDIC

### 7.2.1 Board Meeting Schedule and Attendance

Date	Mr Tembinkosi Bonakele	Mr Barry Canning	Mr Chuma Sangqu	Ms Mankomo Ulyth Pango	Mrs Thandiwe Godongwana	Ms Thobeka Buswana	Ms Sibongile Boo	Mr Luncedo Njezula
23 July 2021	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
30 August 2021	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13 September 2021	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
27 September 2021	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
01 October 2021	Yes	Yes	Yes	Yes	Apology	Yes	Yes	Yes
29 November 2021	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15 December 2021	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
01 April 2022	Yes	Apology	Yes	Yes	Yes	Yes	Yes	Apology
14 April 2022	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
30 May 2022	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
24 June 2022	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

### 7.3 Board Sub-Committee meetings

There are three Board committees, which are Governance Committee, Organisational Committee and the Project Development and Investment Committee. The Agency shares the Audit Committee with BCMM its parent municipality. The Board added the risk management function to the Audit and Risk Committee. The Committees held its meeting as follows within the 2021-22 financial year:

#### 7.3.1 Governance Committee Meeting Schedule & Attendance

Date of Meeting	Mr Tembinkosi Bonakele	Mr Chuma Sangqu	Ms Thobeka Buswana	Ms Mankomo Ulyth Pango
16 July 2021	Yes	Yes	Yes	Yes
27 August 2021	Yes	Yes	Yes	Yes
27 October 2021	Yes	Yes	Yes	Yes
15 November 2021	Yes	Yes	Yes	Yes
16 March 20022	Yes	Yes	Yes	Yes
13 June 2022	Yes	Yes	Yes	Yes

### 7.3.2 Organisational Committee Meeting Schedule & Attendance

Date of Meeting	Ms Thobeka Buswana	Mrs Thandiwe Godongwana	Ms Mankomo Ulyth Pango	Mr Luncedo Njezula	Ms Sibongile Boo
20 August 2021	Yes	Yes	Yes	Yes	Yes
22 September 2021	Yes	Yes	Yes	Yes	Yes
12 November 2021	Yes	Yes	Yes	Yes	Yes
26 November 2021	Yes	Yes	Yes	Yes	Yes
25 February 2022	Yes	Apology	Yes	Yes	Yes
31 March 2022	Yes	Yes	Yes	Yes	Yes
23 May 2022	Yes	Yes	Yes	Yes	Yes
27 May 2022	Yes	Yes	Yes	Yes	Yes
30 May 2022	Yes	Yes	Yes	Yes	Yes

### 7.3.3 Project Development & Investment Committee Meeting Schedule & Attendance

Date of Meeting	Mr. Chuma Sangqu	Mr Barry Canning	Mrs Thandiwe Godongwana	Ms Sibongile Boo	Mr Luncedo Njezula
8 August 2021	Yes	Yes	Yes	Yes	Yes
8 November 2021	Yes	Yes	Yes	Yes	Yes
24 February 2022	Yes	Yes	Yes	Yes	Yes
16 May 2022	Yes	Yes	Yes	Yes	Yes
14 June 2021	Yes	Yes	Yes	Yes	Yes

### 7.3.4 Audit and Risk Committee meeting schedule and attendance

Date of meeting	Mr Singa Ngqwala	Mr Suren Maharaj	Thobeka Maqwati-Naku	Ms Yondela Roboji
13 August 2021	Yes	Yes	Yes	Yes
10 November 2021	Yes	Yes	Yes	Resigned
14 December 2021	Yes	Yes	Yes	Resigned
21 January 2021	Yes	Yes	Yes	Resigned
23 February 2022	Yes	Yes	Apology	Resigned
18 May 2022	Yes	Yes	Yes	Resigned
27 May 2022	Apology	Yes	Yes	Resigned

### **Role of the Company Secretary**

- a. Ensuring compliance to the provisions of Companies Law and rules made there-under and other statutes and policies of the Agency;
- b. Ensuring that Business of the Agency is conducted in accordance with its objects as contained in Memorandum of Incorporation (MOI);
- c. Ensuring that the affairs of the Agency are managed in accordance with the provisions of the law;
- d. Develop framework to ensure that the organisation complies with relevant statutes;
- e. Preparing, approving and signing agreements, leases, legal forms, on behalf of the Agency when authorised;
- f. Engaging legal advisors and defending the rights of the Agency in Courts of Law; and
- g. Advising the Chief Executive and other executives in respect of legal matters.
- h. The Company Secretary, ensures that s/he keeps up to date with the changes in pertinent legislation and corporate governance matters in order for him/her to properly advise the Board.

## **8. Corporate Governance of the Agency**

### **8.1 Risk Management**

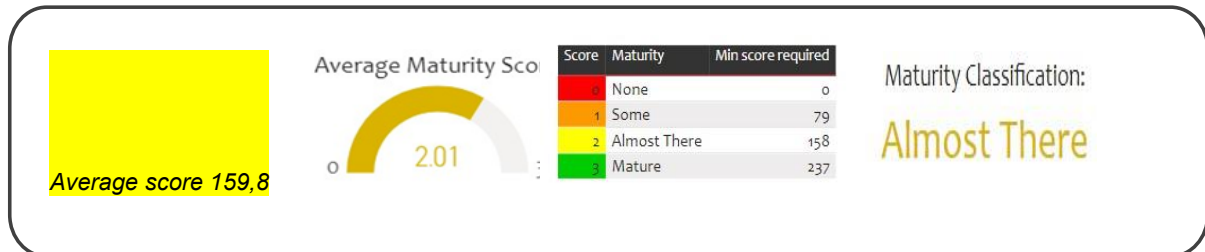
Buffalo City Metropolitan Development Agency subscribes to the principles of good governance and further is committed to carry out its activities in an effective and efficient manner through ensuring that risks are minimised, and opportunities are explored. Risk management forms part of management's core responsibilities and is an integral part of the internal processes of the Agency.

#### **Risk Management Policy and strategy**

The need for Risk Management is mandated by the Municipal Finance Management Act (MFMA), local government risk management framework, King report on corporate governance, ISO:31000 as well as COSO framework. The Risk management framework recommends that the Institution must operate within the terms of a risk management policy and strategy approved by the Accounting Officer / Authority. During the year BCMDA was operating within an approved risk management policy and strategy.



## Risk Maturity Assessment and Implementation plan



An assessment of the risk maturity level of BCMDA had been taken through an online tool (RUBIQ) With the support of the Eastern Cape Provincial Treasury. The Agency took an approach of firstly conducting an individual risk maturity level and then consolidate the scores to come up with the organisational risk maturity level, The average score for the entire organisation remains at 159,8 this means we are not yet at the desired level.

To improve the risk maturity level, the Agency had developed risk management implementation plan, conducted risk management workshops, and integrated risk into its operations, processes, and planning.

### Risk Assessment and Risk Reporting

The BCMDA's Board monitors risk through the Audit and risk Committee, which ensures that there is an effective risk management process and system in place.

There is regular and ongoing identification, evaluation, management, monitoring, recording, and reporting of risks with a view of improving the organisation's ability to manage and reduce the incidences that may have impact on the achievement of operational and strategic objectives.

ISO 3100 outlines the fundamental principles of effective risk management. These principles provide guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose. These principles are described below:

#### **Proportionate:**

Risk Management activities must be proportionate to the level of risk faced by the organisation.

#### **Aligned:**

Risk Management activities need to be aligned with other activities of the organisation. Comprehensive: To be fully effective, the risk management approach must be comprehensive.

**Embedded:**

Risk management activities need to be embedded within the organization. Dynamic: Risk Management activities must be dynamic and responsive to emerging and changing risks. Following the emphasis outlined above, it has then therefore been important that BCMDA identifies the top major risks which will be the focus for the financial year.

This does not in any way suggest that risks will not be identified, but rather suggests a more focused approach that will seek to take the Agency forward and close to realizing its goals. Risks will be assessed not only at the strategic level, but also at operational level and all risks will be effectively monitored considering their level of severity. Strategic risk identification is to identify risks emanating from the strategic choices made by the Agency, specifically about whether such choices weaken or strengthen the Agency's ability to execute its mandate will be carried out. The Strategic risks identified will be documented, assessed, and managed through the normal functioning of the system of risk management. The following risks remain as BCMDA strategic risks:

1. Inability to implement the Tourism Infrastructure Master Plan (TIM)
2. Failure to create an enabling environment to foster economic development and attract new investment to the city
3. Withdrawal of investors on Mega Projects
4. Inability to promote investment
5. Delays in project implementation
6. Poor quality assurance of newly constructed property
7. Identification of land parcels for future development
8. Inability to capacitate local SMME's
9. Lack of financial sustainability
10. Inability to deliver on the mandate
11. Cyber security attacks
12. Inability to act in the event of Disputes & Litigation
13. Non-Compliance with the POPI Act

No	Outcome	Output	Risk Category	Risk Name/ Description	Existing controls	Mitigation Measures/Action Plans
1	Dynamic Tourist attraction	To collect and disseminate robust tourism, market, research, and intelligence.	Economic Environment	1.Inability to implement the Tourism Infrastructure Master Plan (TIM)	<ul style="list-style-type: none"> <li>- Implementation of Tourism growth strategy (BCMM)</li> <li>- TIM 1 finalised.</li> <li>- Approved implementation plan of TIM</li> <li>- Establish specific tourism coordinating structures</li> <li>- Funding proposal have been developed (Tourism hub)</li> <li>- Funding secured from the National Treasury to support Route Development through public art development as well as beaufication/ landscaping of TIM fous areas</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation of TIM Phase 2 (Development of implementation)</li> <li>- Mobilise additional resource from external alternative funding sources Lotto, dept tourism,</li> <li>- Develop funding proposals for projects</li> </ul>
2	Attractive home for global investments and sustainable economic development	Increased investment in Tourism, Property, and Industrial sectors.	Economic Environment	<p>2.Failure to create an enabling environment to foster economic development and attract new investment to the city</p> <p>3. Withdrawal of investors on Mega Projects</p> <p>4. Inability to promote investment</p>	<ul style="list-style-type: none"> <li>- Continuously engage investors and hold annual Investment conferences</li> <li>- Participation in investment promotion mission of BCMM.</li> <li>- facilitate access to Land for investment</li> <li>- City International trade &amp; investment(T&amp;I) agreements are in place</li> <li>- The Service provider is appointed to develop the investor support program.</li> <li>- Project profiles on BMDA catalytic projects had been developed</li> <li>- A marketing and Communication Agency has been appointed to support investment packaging and promotion initiatives</li> <li>- Total collapse of well-established investments</li> <li>- Loss of returns on investments &amp; potential investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>- Development and implement an Investor Support Program (ISP)</li> <li>- Establishment of partnerships with BCMM / Province to participate in one - stop shop initiatives for investment promotion</li> <li>- Develop Agency marketing program to promote tourism and investment opportunities</li> <li>- City International trade &amp; investment(T&amp;I) agreements reviewed and assessed.</li> </ul>

No	Outcome	Output	Risk Category	Risk Name/ Description	Existing controls	Mitigation Measures/Action Plans
3	A robust property market	To revitalize local [both urban and rural] spaces within the Metro.  To develop acquired land.  To facilitate the development of strategic projects through partnerships.	Project Management	5. Delays in project implementation	<ul style="list-style-type: none"> <li>- Continuous engagements with the city.</li> <li>- Council resolution on Land parcels.</li> <li>- Submission of funding proposals for additional projects</li> <li>- Further engagements through the annual investment conference with potential partnerships and investors</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous engagements with the city and potential funders.</li> <li>- Establish a fast-tracking mechanism for BCMDA approvals.</li> <li>- Land Availability Agreement to be signed by the City.</li> </ul>
			Loss/theft/damage of assets and resources	6. Poor quality assurance of newly constructed property	Facilities management team in place to develop the maintenance plan	<ul style="list-style-type: none"> <li>- Draft Property Management Policy and Procedures manual is developed</li> <li>- Organisational structure review will be conducted to ensure the Property management function is well capacitate</li> <li>- Draft maintenance policy in place</li> <li>- Implementation of Property &amp; maintenance policies and procedure manuals</li> </ul>
			Property management	7. Identification of land parcels for future development	Continuous engagements with the city.	Raise with Mayor to address. BCMDA to propose or highlight potential sites.
4	Delivered Socio-Economic development programs	Enable inclusive tourism, property, and industrial economic sector through investments.	Economic Environment	8. Inability to capacitate local SMME's	<ul style="list-style-type: none"> <li>- Database developed for SMMEs to access funding</li> <li>- 30% value of tenders sub-contracted to local SMMEs (sub-contracting - PPFA 2017)</li> <li>- 30% value of tenders sub-contracted to local SMMEs</li> </ul>	<ul style="list-style-type: none"> <li>- Assist SMMEs with access to funding, skills.</li> <li>- Development of the Strategy to give guidance towards development capacitation and access to market.</li> </ul>
5	A well governed and viable agency	financial sustainability	Financial Management	9. Lack of financial sustainability	<ul style="list-style-type: none"> <li>- Budget allocation from the parent municipality to ensure, construction projects continue as planned.</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous implementation of the financial sustainability implementation plan</li> <li>- Continue with the collection of Project Management Fees to enhance own revenue as stipulated in the</li> </ul>

No	Outcome	Output	Risk Category	Risk Name/ Description	Existing controls	Mitigation Measures/Action Plans
					<ul style="list-style-type: none"> <li>- Approved Financial sustainability strategy in place.</li> <li>- FSS Plan being continuously implemented and monitored as follows:</li> <li>- PM Fees collected amount to R5.1 million year to date.</li> <li>- Interest on investments amounts to R613 834.19 year to date.</li> <li>- Operational grant from the City amounts to R42million year to date.</li> <li>- Developmental Levy from development of land parcels not yet realised due to slow progress on conclusion of development agreements.</li> </ul>	<ul style="list-style-type: none"> <li>- Board approved financial sustainability strategy.</li> <li>- Continue to reinvest available funds with panel of investment bankers.</li> </ul>
		Effective corporate services to support the organization mandate	Human resources management	10.Inability to deliver on the mandate	<ul style="list-style-type: none"> <li>- Introducing of Competitive remuneration</li> <li>- Human Resource polices and procedures in place</li> <li>- Health and Safety committee in place</li> <li>- Workplace committee in place</li> <li>- Wellness program in place.</li> <li>- Performance agreements for staff</li> <li>- The remuneration specialist service provider is appointed to review the salary grades of the Agency.</li> </ul>	<ul style="list-style-type: none"> <li>- Execution of the Organisational development program, including the recruitment of the identified roles</li> <li>- Board of Directors : City to continue appointing properly skilled and qualified members are brought onto the board. Ensure stakeholder consent in appointments.</li> <li>- Additional Mitigating factors when managing Executive continuity:</li> <li>- Effective management of recruitment process, ensure process to recruit has sufficient time, manage change and continuity in key roles. When recruiting, must consider continuity requirements.</li> <li>- Staggered contracts for executives</li> <li>- Depth of skills must be ensured at management level as well (middle and lower management) and must be included in the succession and talent management strategy.</li> </ul>

No	Outcome	Output	Risk Category	Risk Name/ Description	Existing controls	Mitigation Measures/Action Plans
		Efficient and effective Information Technology and Knowledge Management Service	Information Technology	11. Cyber security attacks	<ul style="list-style-type: none"> <li>- Information security policy and procedures</li> <li>- Malware and anti-virus Policy are in place</li> <li>- Implementation of network firewall</li> <li>- Patch management</li> <li>- Disaster Recovery Plan in place</li> <li>- Active directory (Access control)</li> <li>- Implemented Cloud-based Backup and Recovery Solution</li> <li>- Implementation of laptop backup solutions</li> <li>- implementation of encryptions solution (Data Security)</li> <li>- Enabled multi-factor authentication</li> </ul>	<ul style="list-style-type: none"> <li>- Continuously restoration of testing of data integrity</li> <li>- Cyber security awareness training</li> <li>- Conduct a cyber security risk assessment (sharing of lesson learned, emerging risk and plans)</li> <li>- Appointment of additional human resources within ICT</li> </ul>
		Effective and sound corporate governance	Litigation	12. Inability to act in the event of Disputes & Litigation	<ul style="list-style-type: none"> <li>- Legal Services to draft, review and monitor contracts and lease agreements</li> <li>- SCM Unit updates the contracts register and monitor the contracts of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>- To have legal advisory panel to bring together legal experts and advise the agency on technical issues.</li> <li>- Appoint the addition human resource to assist the COSMEC</li> </ul>
			Compliance & Regulatory	13. Non-Compliance with the POPI Act	<ul style="list-style-type: none"> <li>- The POPI Act Compliance assessment tools developed to assess the status of compliance.</li> <li>- Documents and records risk assessment was conduct, necessary action was made to improve the system of our records</li> <li>- Application is submitted to appoint the Information officer and Deputy information officers</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation of the POPI Act requirements as outlined on the tool developed.</li> <li>- Develop and implement the POPIA Compliance framework</li> <li>- Conduct impact assessment update the PAIA Manual, Roll out awareness / training sessions )</li> <li>- Audit the status of POPIA Compliance</li> <li>- Develop and implement the Document and records movement policy ,</li> <li>- Data Protection policy</li> </ul>

No	Outcome	Output	Risk Category	Risk Name/ Description	Existing controls	Mitigation Measures/Action Plans
					POPI Act trainings was Conducted during Q4	

## 8.2 Corporate ethics and organisational integrity

The BCMDA and its board subscribe to high ethical standards and principles. The leadership provided by the board is characterised by the values of responsibility, accountability, fairness and transparency, and has been a defining characteristic of the BCMDA since its establishment in 2016.

The agency's main objective has always been to do business ethically while building a sustainable company that recognises the short- and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions.

## 8.3 Code of conduct

The BCMDA's code of conduct, which is fully endorsed by the Board, applies to all directors and employees. The code is consistent with schedule 1 of the Municipal Systems Act and the provisions of the BCMM corporate governance protocol for municipal entities. The code is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism. Through its code of conduct, the BCMDA is committed to:

- a. The highest standards of integrity and behaviour in all its dealings with its stakeholders and society at large.
- b. Fair commercial and competitive business practices.
- c. Eliminating discrimination and enabling employees to realise their potential through continuous training and skills development.
- d. Taking environmental and social issues into consideration.
- e. Ensuring that all directors declare any direct or indirect personal or business interest that might adversely affect them in the proper performance of their stewardship of the entity.

The code requires all staff to act with the utmost integrity and objectivity and in compliance with the law and company policies at all times. Failure to act in terms of the code results in disciplinary action. The code is discussed with each new employee as part of the induction process, and all employees are asked to sign an annual declaration confirming their compliance with the code. A copy of the code is available to interested parties on request. Any breach of the code is considered a serious offence and is dealt with; accordingly, this acts as a deterrent. The directors believe that ethical standards are being met and are fully supported by the ethics programme.



#### **8.4 Declaration of interest**

In accordance with its code of conduct, the BCMDA maintains a register of directors' declarations of interests. The register is updated annually and as and when each director's declared interests change. A register is circulated at every Board and Board committee meeting for the directors to declare any interest related to every matter discussed at a particular meeting.

The BCMDA's employee code of ethics and terms and conditions of employment require all employees to complete declarations of interest covering shareholding in private companies, membership of close corporations, directorships held, partnerships and joint ventures, remunerative employment outside of the BCMDA, gifts and hospitality, and the status of their municipal accounts.

#### **8.5 Compliance with laws and regulations**

BCMDA has a compliance register which regulates the state of compliance with the applicable laws and regulations. The register is updated to ensure that all the divisions adhere to the requirements. Further there are policies and procedures that employees abide by, which are made available to each employee. Further the Internal and External Auditors provide assurance that the Agency is compliant and make the necessary recommendations where applicable.

#### **8.6 Anti-corruption and Fraud**

The system of internal control applied by the Agency over anti-corruption and fraud which is Fraud Prevention Policy and Plan is approved by the Board. There is currently no reported fraud and corruption matters to the Agency.

#### **8.7 Information and Communication Technology (ICT) Governance**

The Executive Management (EXCO) of BCMDA's emphasis in the year under review has been the focus on information governance in line with King IV. While in the previous versions of the King Governance code, there has been no distinct separation between Information and Technology, King IV places emphasis and distinguishes between Information technology and information governance as two separate aspects of ICT governance as opposed to King III, where they were viewed as one.

In the financial year under review management's focus has largely been on advancing the Agency by implementing different ICT solutions or systems. The major benefit is an automation of critical business processes, core of which is the ease of accessibility, alignment with information governance framework ,that ensures that there is governance from data migration, to the tools that perform data cleansing, to the manner in which the data is structured at storage, to the mining of the data to inform decision intelligence nodes, right through to who accesses

the information, how they access it, to what extent they need to access information, to their ability to modify it, to the backup strategy (on and off-site), to the stakeholder dissemination model.

The establishment of ICT Steering Committee plays a critical gatekeeper role that ensures that BCMDA has a sound and solid ICT Governance Framework that is fully implemented and importantly that ICT investments are protected and realize the maximum business value to the benefit of BCMDA.

Besides the existence of an ICT Steering Committee, the ICT Unit has reviewed the existing ICT Policies to ensure relevance and alignment also the has been an addition of new policies such as the Backup policy, User Access Management policy and ICT Service Level Agreement policy that ensures adherence to best ICT governance practices.

The unit has also continually reviewed the ICT governance framework to ensure its improvement and alignment to best practice standards.

Another important principle of King IV is ICT risks management and its inclusion in Enterprise Risk Management. The Agency has a developed and approved ICT Operational Risk Register, on a quarterly basis the ICT unit has reported on the status of implementation of some of the key intervention in order to minimize the risk exposure of the Agency.

The Agency has in the year under review implemented solutions in order to manages critical risks i.e. cloud-based disaster recovery solution and corporate anti-virus solution to name few. The Agency has invested on corporate antivirus solution that will assist in ensure security/protection of the information.

## **8.8 ICT Control Environment**

The BCMDA's internal audit organization provide a 'litmus' test on ICT controls within the BCMDA ICT environment. On the year under review, the internal audit was conducted in Quarter 2 of the financial year in which the emphasis was Application Control.

The applications that the internal audit reviewed were Sage Evolution (Financial Management System), Sage 300 People (Human Resource Systems), and HPE Content Manager (Electronic Document Management System). There were no ICT findings in that audit, however, ICT management will continue to partner with assurance providers to ensure that controls are in place and improved.

## **8.9 Business Continuity/ Disaster Recovery**

With critical business processes being automated, that brings heavy reliance on availability of ICT resources 24/7. The Agency has therefore completed the implementation of Cloud-Based

Backup, Restore and Replication Solution in the year under review. The solution backing up the entire Server Environment of the Agency into the cloud on daily basis to ensure that BCMDA has the most up to date information in case of disaster. Also, as part of disaster recovery planning the ICT unit conducts Disaster Restoration Testing on quarterly basis with backup from the implemented cloud-based solution. The cloud-based recovery solution also acts as the 'litmus' as BCMDA explores the potential of migrating the production environment into the cloud.

## 8.10 Supply chain management

### 8.10.1 Bid Committees

In line with the above-mentioned prescripts the Accounting Officer appointed bid committees to serve during the period 01 July 2021 to 30 June 2022. These committees are constituted as follows:

Bid Specification Committee (BSC)	Bid Evaluation Committee (BEC)	Bid Adjudication Committee (BAC)
<b>Mrs. A. Ntshokoma (Programme Development Development Facilitation - Chairperson)</b>	Mr. T. Sindane (Project Manager: Tourism Development) – Office of the CEO - <b>Chairperson</b>	Ms. V. Ntsodo-Boyce (Chief Financial Officer) – <b>Chairperson. (1<sup>st</sup> term ended 17 March 2022) (2<sup>nd</sup> term started 01 May 2022)</b>
<b>Mr. A. Manciya (Manager: Supply Chain and Asset Management) – Office of the CFO</b>	Mr. G. Yawathe (Project Manager: Infrastructure Development) – Development Facilitation	Dr. E. Uithaler (Executive Manager: Development Facilitation)
<b>Ms. Z. Ngxatha (Risk and Compliance Officer) - Office of the CEO.</b>	Ms. Z. Madabane (Supply Chain and Asset Practitioner) – Office of the CFO.	Mr. X. Jikela (Executive Manager: Corporate Services)
<b>Mr. L. Hute (ICT Administrator) – Corporate Services. Terminated on 31 May 2022 due to resignation from institution.</b>	Mrs. A. Ntshokoma (Programme Manager: Development Facilitation) – Development Facilitation.	Ms. N. Mpongoshé (Manager: Legal Services and Company Secretary) – Office of the CEO.
<b>Ms. O. Makalima (Manager: Marketing and Communications) – Office of the CEO.</b>	Mr. L. Hute (ICT Administrator) – Corporate Services. <b>Terminated on 31 May 2022 due to resignation from institution.</b>	Mr. O. Makalima (Manager: Investment Promotion & Tourism Development) – Office of the CEO

<b>Miss A. Vabuhlungu (Junior Accountant: SCM and Asset Management) – Office of the CFO Secretariat</b>	Miss A. Vabuhlungu (Junior Accountant: SCM and Asset Management) – Office of the CFO Secretariat	Mr. A. Manciya (Manager: Supply Chain and Asset Management) – Office of the CFO.
		Miss. S. Mgudlwa (Acting Chief Financial Officer) – <b>Chairperson</b> <b>(term started 18 March 2022 to 30 April 2022)</b>

## 8.10.2 The roles of the Committees

### 8.10.2.1 Bid Specification Committee

- Consider all bids above the threshold value of R200 000, bids whose project duration exceeds 12 months as well as other bids as and when required.
- Ensure that Terms of Reference / Specification are clearly defined for ease of reference to bidders and that they are compiled in an unbiased manner as defined in Section 112(1) of chapter 11 of the MFMA No. 56 of 2003.

COMMITTEE	SITTING DATES	NUMBER OF TENDERS CONSIDERED	MEMBER ATTENDANCE	COMMENT
<b>BSC (Virtual attendance)</b>	08 July 2021	1	80%	The main reasons 80% attendance in the BSC meetings are lack of connectivity, sick leave and other urgent Agency priorities.  As at the date of compiling this report this Committee has reverted to physical attendance.
	28 July 2021	3	80%	
	11 August 2021	3	80%	
	18 August 2021	2	100%	
	21 September 2021	3	100%	
	22 September 2021	2	80%	
	28 October 2021	4	100%	
	24 November 2021	5	80%	
	01 December 2021	1	100%	
	10 January 2022	1	80%	
	27 January 2022	4	100%	
	16 February 2022	2	100%	
	02 March 2022	1	80%	
	16 March 2022	2	100%	
	21 April 2022	2	80%	
11 May 2022	3	100%		

19 May 2022	3	80%
25 May 2022	4	100%
01 June 2022	1	60%
08 June 2022	2	80%

#### 8.10.2.2 Bid Evaluation Committee

- a. Evaluate all procurement above the threshold value of R30 000 and bids whose project duration exceeds 12 months in accordance with specifications of that particular bid and the point system set out in BCMDA's Supply Chain Management Policy and the Preferential Procurement Policy Framework Act;
- b. Ensure all information contained in each bidding document is taken into account during evaluation of bids and evaluate each bidder's ability to execute the contract;
- c. Ensure that the recommended bidder complies with the following:
  - the bidder is registered on the Central Supplier Database (CSD) and is not listed as a restricted supplier on the CSD.
  - municipal rates and taxes and municipal service charges of the recommended bidder are not in arrears;
  - that all tax matters are in order;
  - the bidder has provided a declaration that its directors/shareholders/members are not in the service of the state;
- d. Submit to the Bid Adjudication Committee a report and recommendations regarding the awarding of the bid;

COMMITTEE	SITTING DATES	NUMBER OF TENDERS CONSIDERED	MEMBER ATTENDANCE	COMMENT
<b>BEC (Physical attendance)</b>	06 July 2021	3	80%	The main reasons less than 100% attendance in the BEC meetings are leave and other urgent Agency priorities.
	14 July 2021	1	100%	
	28 July 2021	2	80%	
	03 August 2021	1	80%	
	16 August 2021	1	60%	
	19 August 2021	1	100%	
	24 August 2021	2	80%	
	31 August 2021	2	100%	
	02 September 2021	1	100%	
	07 September 2021	2	100%	

COMMITTEE	SITTING DATES	NUMBER OF TENDERS CONSIDERED	MEMBER ATTENDANCE	COMMENT
	15 September 2021	1	80%	
	22 September 2021	1	100%	
	12 October 2021	2	100%	
	21 October 2021	1	80%	
	26 October 2021	2	100%	
	28 October 2021	2	100%	
	05 November 2021	1	80%	
	08 November 2021	1	80%	
	15 November 2021	1	100%	
	18 November 2021	1	80%	
	23 November 2021	2	80%	
	24 November 2021	1	80%	
	25 November 2021	3	60%	
	30 November 2021	1	60%	
	07 December 2021	1	100%	
	17 December 2021	1	60%	
	18 January 2022	7	100%	
	26 January 2022	4	100%	
	04 February 2022	1	80%	
	16 February 2022	1	80%	
	17 February 2022	1	80%	
	02 March 2022	4	80%	
	15 March 2022	4	80%	
	23 March 2022	1	80%	
	28 March 2022	1	100%	
	20 April 2022	1	100%	
	12 May 2022	3	100%	
	20 May 2022	2	100%	
	21 June 2022	3	80%	
	22 June 2022	2	80%	
	27 June 2022	1	80%	
	29 June 2022	1	80%	
	30 June 2022	1	80%	

### 8.10.2.3 Bid Adjudication Committee

- a. Consider all the reports of the BEC;
- b. Recommends to the Accounting Officer to make the final award or make the relevant recommendation to the Accounting Officer on how to proceed with the procurement.

COMMITTEE	SITTING DATES	NUMBER OF TENDERS CONSIDERED	MEMBER ATTENDANCE	COMMENT
<b>BAC (Physical / Virtual attendance)</b>	19 July 2021	5	100%	The main reasons less than 100% attendance in the BAC meetings are leave and other urgent Agency priorities.
	05 August 2021	2	83.33%	
	11 August 2021	2	83.33%	
	16 August 2021	2	83.33%	As at the date of compiling this report this Committee has reverted to physical attendance.
	23 August 2021	2	83.33%	
	23 September 2021	6	100%	
	04 October 2021	6	100%	
	15 October 2021	1	83.33%	
	22 October 2021	1	83.33%	
	29 October 2021	2	100%	
	11 November 2021	2	100%	
	22 November 2021	1	100%	
	04 December 2021	3	83.33%	
	20 December 2021	4	100%	
	31 January 2022	15	100%	
	18 February 2022	2	83.33%	
	25 February 2022	4	83.33%	
01 April 2022	1	83.33%		
12 May 2022	1	83.33%		
27 May 2022	4	83.33%		

### 8.11 Expenditure on B-BBEE

The following tables provide a complete picture of expenditure per B-BBEE category as at 30 June 2021. For the year under review the Agency had set a target of 75% expenditure on B-BBEE level one and the actual achievement was 97%.



SUMMARY OF BBBEE EXPENDITURE		
BBBEE CATEGORY	AMOUNT	PERCENTAGE
Level One	R99 299 846.18	97.00% <sup>1</sup>
Level Two	R2 099 609.81	2.05%
Level Three	R221 397.19	0.22%
Level Four	R343 749.60	0.34%
Level Five	R129 720.00	0.13%
Level Six	R7 661.00	0.01%
Level Eight	R258 238.50	0.25%
Non-Contributor	9 200.00	0.01%
<b>TOTAL</b>	<b>R102 369 422.28</b>	<b>100.00%</b>

## 9. Stakeholder engagement

Stakeholder Engagement is a quintessential element of good governance. It plays an important part in the organization's sustainability and supports BCMDA in fulfilling its mandate. Through stakeholder engagement processes the Agency has been able to ensure strong and clear alignment with the stakeholders' expectations. This function of the organisation's responsibilities has also allowed the development of partnerships and the leverage of resources.

### 9.1 The Value of engaging

More benefits derived from stakeholder engagements are to:

- Promote the Agency's business development ambitions
- Support the Agency in moving closer to meeting the objectives of its Financial Sustainability Strategy; and
- Allow the Agency to get feedback from citizens and therefore ensure shareholder value generation.

The BCMDA, in line with the best practice on stakeholder profiling, has three stakeholder groups

- Primary group,
- Secondary group, and
- Tertiary group

<sup>1</sup> The 97% on BBBEE Level One mainly relates to the construction projects at Court Crescent and Water

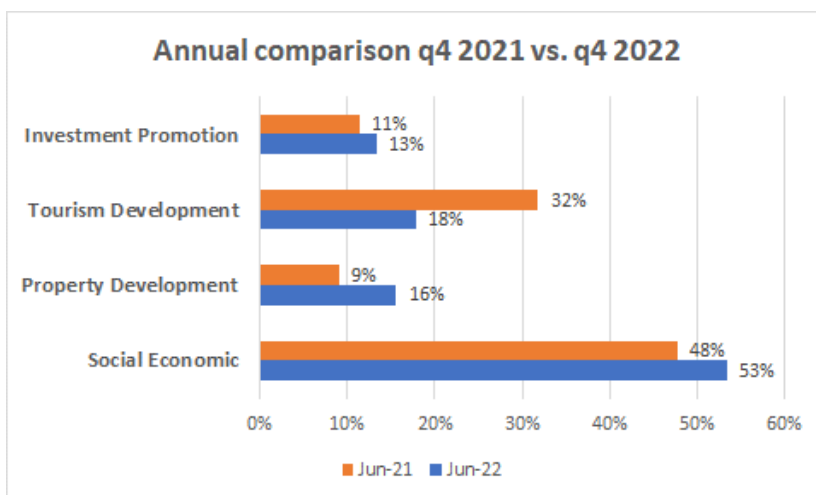
The tertiary group (the BCMM) remains the primary stakeholder, both at an oversight and technical level. BCMDA continued regular monthly reporting to the Council to update it on the progress of key strategic projects. Some of the notable engagements that the Agency included the Municipal Public Account Committee (MPAC) whose role is to ensure the efficient and effective use of municipal resources. A crucial focus was on the Agency’s Annual Performance Report (APR), an evaluation of the Agency’s progress in achieving the goals and objectives described in the Annual Performance Plan (APP). The agency continued to focus on ensuring better alignment with other state organs through its participation in the technical and political Inter-Governmental Relation (IGR) sessions.

The CEO continued to engage with the Executive Mayor regularly where matters of policy and matters of strategic nature are discussed.

Ongoing engagement business continued through the Boarder - Kei Chamber of Business (BKCB) where the Agency participates in the Tourism Committee. The Agency also continued to work closely with the Metro, some of the notable engagements include IDP planning processes, the Three Spheres Planning Forum as well as Council.

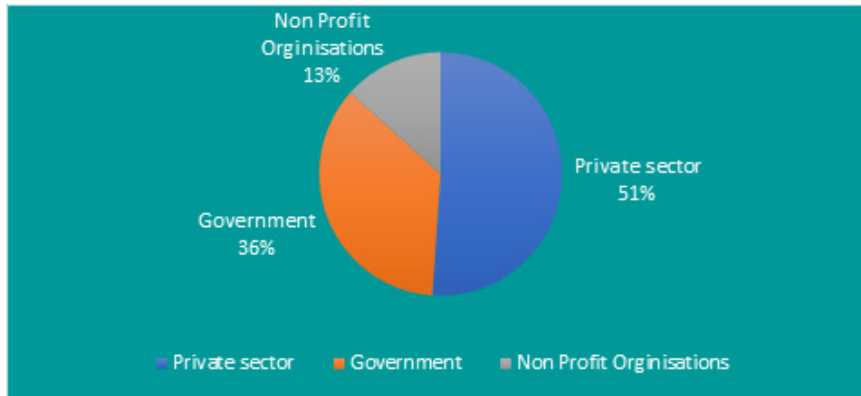
**9.2 Stakeholder observation trends**

Between June 2021 – June 2022, the shareholder report reveals that BCMDA regularly engaged with a myriad of stakeholders and provided quarterly stakeholder reports to monitor its level of interaction. Despite the Covid restrictions in the first quarter of 2021/22, the Agency recorded an average of 43 stakeholder engagements on a quarterly basis, with the table below showing the shifting to property development (16%) and socio-economic development (58%).



The private sector continues to be the largest cohort that the Agency engages with. In the last quarter, the private sector has dominated in terms of engagement interactions. BCMDA

engages with the private sector to share information and encourage private investment in the City's work and vision. The sector accounted for 51% of interactions versus 36 % by the government, a noticeable knockdown from the previous quarter.



In advancing the investment promotion and property development agenda, the Agency significantly interacted with the potential investors for Victoria Grounds, Seaview Terrace, and Water World. BCMDA further worked with the private investors and developers to highlight key opportunities for increasing private sector investment in areas where there is state investment. Some of these engagements include the facilitation of discussions between Boarder Motorsports and BOMA regarding the management solution of the East London Racetrack.

Some of the notable engagements that the Agency was involved in include the Back-to-School, a Campaign in which the Agency partnered with the Office of the Mayor and ELIDZ. The Agency was also part of national and provincial initiatives to drum in investment. In this regard, the BCMDA participated in the Dubai International Investment Conference as well as the Eastern Cape Parks and Tourism Agency (ECPTA) - Business Process Enabling South Africa Investor Road Show (BPESA).

## PART D: PERFORMANCE AGAINST PERDETERMINED OBJECTIVES

### 10. ORGANISATIONAL PERFORMANCE

The Agency developed its annual performance in fulfilment of the provisions of MFMA and Local Government Systems Action to monitor and evaluate implementation of the strategy. The performance scorecard details all the KPI's that the ECDC has in its annual performance plan and the deviations to the target for financial year are depicted below.

During the year the Annual performance plan was reviewed and approved twice resulting the final performance tables listed hereunder.

#### 10.1 Outcome 1: Dynamic Tourist attraction

Output Indicator	Annual Target	Budget	Actual annual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.1 Number of research reports developed.	One research output developed (TIM)	R 300 000	One Research output developed (Sports Facilities Best Value (TIM)	<b>Not achieved</b>	The issuing of the tender for the appointment of a service provider was delayed owing to the National Treasury notice on halting public sector procurement.	This work will be undertaken in house as advised by the BAC
1.2 Number of Tourists from the point a facility is rolled-out into the market.	1 tourist tracking tool developed	Nil	1 Tourist Tracking tool for facilities developed	<b>Achieved</b>	Tourist tracking tool developed	None
1.3 Number of world class tourism products developed.	2 Tourism routes supported	R 1 080 000	2 Tourism Routes supported (Duncan Village, Mdantsane)	<b>Achieved</b>	MOU concluded with Puhlisa Development Investments for the deployment of public art in Mdantsane  Service provider for Mzonyane Gravesite clearing, and the Refurbishment of Dr Rubusane Gravesite appointed, and work initiated.	None
1.4 Number of opportunities created for tourism product development.	Inception report for packaging tourism projects	R 300 000	Inception Report for packaging tourism projects	<b>Achieved</b>	The branding icons for the various nodes including Water World and Court Crescent images have created opportunities for product development i.e., Textile, public art, t shirt, cup, and other memorabilia development.	N/A
1.5 Number of events attracted to BCMDA facilities	8 events attracted to BCMDA facilities	Nil	8 events attracted to BCMDA facilities	<b>Achieved</b>	8 Events attracted to BCMDA facilities through a public call	None

Output Indicator	Annual Target	Budget	Actual annual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.6 Number of events calendars developed	1 annual events calendar developed for BCMDA facilities	Nil	1 annual events calendar developed for BCMDA facilities.	<b>Achieved</b>	events calendar developed	None
1.7 Number of assessment reports on TIM	1 TIM implementation assessment report	Nil	1 TIM implementation assessment report	<b>Achieved</b>	TIM assessment report conducted.	None
1.8 Number engagements with designated groups	4 engagements held with designated groups on opportunities in the tourism sector	Nil	Report on 4 engagements held with designated groups on opportunities in the tourism sector.	<b>Achieved</b>	Engagements took place with BCMTV, WSU, Ikhuselo Lesizwe Co-operative, and Uphuhliso Development Investments	None
1.9 Number of public art initiatives supported	1 Public Art strategy developed	Nil	1 public art strategy developed.	<b>Achieved</b>	Public art strategy was developed	None
1.10 Number of public art policies developed, and implementation reports developed	1 Public Art policy developed	Nil	1 public art policy developed.	<b>Achieved</b>	Public art policy developed.	None

## 10.2 Outcome 2: Attractive home for global investments and sustainable economic development

Output Indicator	Annual Targets	Budget	Actual annual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.11 Number of investment deals concluded.	Notarial lease concluded for Seaview Terrace	R 3 200 000	Notarial lease concluded for Seaview Terrace	<b>Achieved</b>	Notarial lease in Seaview concluded. The title deed to the property has been transferred to the Developer.	None
1.12 Value of investment deals concluded.	350 million secured	Nil	R 350 million secured	<b>Achieved</b>	Value of the Seaview investment is R350 million	None
1.13 Level of return on investment	1 investment tool developed	Nil	1 investment tool developed	<b>Achieved</b>	Investment tool to monitor transactional was developed by Transactional advisors	None
1.14 Number of investment policies developed, and implementation reports developed	1 Investment draft policy developed	Nil	1 Investment draft policy developed	<b>Achieved</b>	Draft Investment Policy has been developed. The policy will be further workshopped through EXCO and PDIC once the CIO has assumed duties.	1 Investment draft policy developed

Output Indicator	Annual Targets	Budget	Actual annual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.15 Number of investment strategies developed, and implementation reports developed	1 Investment strategy developed	Nil	1 Investment strategy developed	<b>Not achieved</b>	Draft Investment Strategy has been developed. The strategy will be further workshopped through EXCO and PDIC once the CIO has assumed duties.	None
1.16 Number of land parcels identified for investment opportunities	1 concept on land parcel identification for investment developed	Nil	1 concept on land parcel identification for investment developed	<b>Not achieved</b>	Due to prioritisation of the Public Employment Programme that required extra resources the work could not be completed.	The work will be prioritised in the 1 <sup>st</sup> quarter of the next financial year.
1.17 Number of technical reports on property developed (Water World Racetrack)	1 draft land use model for East London racetrack developed	Nil	1 draft land use model for East London racetrack developed	<b>Achieved</b>	1 draft land use model for East London racetrack developed	None
1.18 Number of technical reports on property developed (BCMM office space needs)	Inception report on office space needs assessment for BCMM	Nil	Inception report on office space needs assessment for BCMDA	<b>Not achieved</b>	Treasury notice on procurement prevented BCMDA going out on call for proposals.	National Treasury notice has been lifted and hence procurement can commence.
1.19 Number of technical reports on property developed (BCMDA office space needs)	Inception report on office space needs assessment for BCMDA	Nil	Inception report on office space needs assessment for BCMDA	<b>Not achieved</b>	Treasury notice on procurement prevented BCMDA going out on call for proposals.	National Treasury notice has been lifted and hence procurement can commence.
1.20 Number of technical reports (Eastern Beach Master Plan Developed)	Draft report on Eastern Beach Master Plan Developed	Nil	Draft report on Eastern Beach Master Plan Developed	<b>Not achieved</b>	Treasury notice on procurement prevented BCMDA going out on call for proposals.	National Treasury notice has been lifted and hence procurement can commence.
1.21 Number of land parcels allocated investors (Sleeper Site)	Sleeper Site fund origination completed (investor identified)	Nil	Sleeper Site fund origination completed (investor identified)	<b>Not achieved</b>	Treasury notice on procurement prevented BCMDA going out on call for proposals.	National Treasury notice has been lifted and hence procurement can commence.
1.22 Number of land parcels allocated investors (Marina Glan A)	Marina Glan A fund origination completed (investor identified)	Nil	Marina Glan A fund origination completed (Investor identified)	<b>Not achieved</b>	Treasury notice on procurement prevented BCMDA going out on call for proposals.	National Treasury notice has been lifted and hence procurement can commence.
1.23 Number of notarial lease agreements concluded	Victoria grounds Notarial Lease draft 2 developed	Nil	Victoria grounds Notarial Lease draft 2 developed	<b>Achieved</b>	Notarial lease draft two was developed and discussed during deal negotiations.	N/A
1.24 Number of Development agreements concluded	Draft development agreement on Seaview Terrace completed	Nil	Draft development agreement on Seaview Terrace completed	<b>Achieved</b>	Seaview Terrace development agreement was as updated and circulated to development partner. Subsequently these inputs have been factored into the development agreement.	N/A

Output Indicator	Annual Targets	Budget	Actual annual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.25 Number of Development agreements concluded	2 investor engagement reports developed	Nil	2 investor engagement reports developed	<b>Achieved</b>	Report on Seaview Terrace, and Victoria grounds are available.	N/A

\*1.26 is not available – it was a duplication

\* 1.27 also missing – we kept the order for consistency

### 10.3 Outcome 3: A robust property market

Output Indicator	Annual Target	Budget	Actual performance	Achievements / Progress	Comments/ Challenges	Corrective Measure
1.28 Number of spaces revitalized [rural and urban].	Implementation of the one (1) King Williams Town Business Improvement Initiative	1 000 000	Implementation of work as per PSP appointment and closing report	<b>Not Achieved</b>	Contractor only appointed in May 2022 due to NT Memorandum delaying procurement and site handed over in June 2022. Works to commence in July 2022.	N/A
1.29 Number of property development projects completed.	Completion of the Court Crescent Recreational Park	30 105 608	Appointment of Service Provider for maintenance and operations of the facility	<b>Not Achieved</b>	Initial delay in procurement due to NT Memorandum however BCMDA has advertised in June 2022 for Operators for both sites to oversee maintenance, operations, and marketing of various events.	BCMDA had commenced procurement following NT directive, and Appointment is scheduled for September 2022.
	Completion of the Water World Water Park	16 962 401	Appointment of Service Provider for maintenance and operations of the facility	<b>Not Achieved</b>	Initial delay in procurement due to NT Memorandum however BCMDA has advertised in June 2022 for Operators for both sites to oversee maintenance, operations, and marketing of various events.	BCMDA had commenced procurement following NT directive, and Appointment is scheduled for September 2022.
	Completion of the Marina Glen B	1 246 650	Close-out report for Marina Glen B	<b>Not Achieved</b>	Braai stands have been completed and project close-out on process. The Cleaning services has been done effectively and the space remain at a standard as per requirements.	Assistance from BCMDA project team brought the quality of work back on track.
1.30 Number of private property investments that get all the necessary approvals from both	Facilitate the planning and implementation of strategic	Turnkey	Conclude Feasibility Study for BCM Office Space needs	<b>Not Achieved</b>	A new panel has been appointed for both Transaction Advisory services and Fund Origination. The	Specifications completed and approved for Feasibility Assessment of the Municipal



Output Indicator	Annual Target	Budget	Actual performance	Achievements / Progress	Comments/ Challenges	Corrective Measure
local and provincial government.	projects at Sleeper Site				delayed appointment of the TA's and FOs has also delayed the submission of RFPs to both.	Office Precinct. Finalisation of appointment.
	Facilitate the planning and implementation of strategic projects at, Marina Glen A,	Turnkey	Draft Lease Agreement for the Marina Glen A precinct development	<b>Not Achieved</b>	A new panel has been appointed for both Transaction Advisory services and Fund Origination. The delayed appointment of the TA's and FOs has also delayed the submission of RFPs to both.	Specifications completed and approved for Feasibility Assessment of the Precinct. Finalisation of appointment now delayed by the NT Memorandum delaying procurement.
	Facilitate the planning and implementation of strategic projects at Seaview Terrace	Turnkey	Finalise and sign Development Agreement with Developer	<b>Not Achieved</b>	The Notarial Lease were signed by all designated signatories, submitted, and approved by the Deeds Office	Fund Originators and Developers are currently finalising the Development Agreement and Funding requirements
	Facilitate the planning and implementation of strategic projects at Water World Hotel Site	Turnkey	Submit and Finalise Notarial Lease Agreement to the Deeds Office	<b>Not Achieved</b>	The SG Diagram has been delayed by BCMM requesting that an Access Road be part of the Development process	BCMDA engaged the Developers to request that they include the road and subsequently comply with BCM request and in so-doing assist with completion and approval of the SG Diagram
	Facilitate the planning and implementation of strategic projects at Victoria Grounds	Turnkey	Complete Lease agreements for the development	<b>Not Achieved</b>	The Negotiation process has been delayed due to technical matters in regards of an additional land parcel not included by BCMM Council resolution and a road traversing the property	BCMDA is currently engaging Council on including the land parcel in question. The developer is currently looking into all necessary matters to be concluded during negotiations with appointed TA.

#### 10.4 Outcome 4: Delivered Socio-Economic development programs

Output Indicator	Annual Target	Budget	Actual performance	Achievements / Progress	Challenges	Corrective Measure
1.31 Number of engagements on tourism products packaged for designated groups	4 Engagements held with designated groups on opportunities in the tourism sector	n/a	Engagement held with designated groups on opportunities in the tourism sector	<b>Achieved</b>	MOU with WSU and Ikhushelo Lesizwe Cooperative	n/a

Output Indicator	Annual Target	Budget	Actual performance	Achievements / Progress	Challenges	Corrective Measure
1.32 Number of projects with direct impact and improvement to marginalised groups (direct impact e.g., jobs creation, improvement in poverty levels, number of people positively impacted by interventions)	1 project (Waste management programme implemented in Duncan Village)	7 708 125	1 project (Waste management programme implemented in Duncan Village)	<b>Achieved</b>	Components 1,2,3 and 5 are continuing well. Delays were experienced with procurement and timely delivery of containers, waste trolleys and refuse bags.  The service provider for the design and construction process submitted applications in regards of EIA and Town Planning to BCMM and DEDEAT, awaiting approvals.	BCMDA is assisting service providers to ensure improved delivery.
1.33 Number of Community Development projects supported by CSI	Minimum of 3	200 350	3	<b>Achieved</b>	4 NPOs appointed. The 4 beneficiaries provide soup kitchens, food gardens and community development.	Site visits were conducted to verify the beneficiaries. First tranche payments have been made to all four beneficiaries.
1.34 Number of areas where safety and security interventions implemented as part of BIDS	Minimum of 3	3 120 000	3	<b>Achieved</b>	4 sites within the city are in operation.	Continuous monitoring to ensure service remains standard.
1.35 Number of Rural Development Programmes supported	One (1) project (rural development Shushu B village)	300 000	1 Business case for Shushu B development	<b>Achieved</b>	Shushu B Business Case developed	n/a.
1.36 Number of SMME strategies developed and implemented	One (1) SMME Strategy adopted	n/a	1 SMME Strategy adopted	<b>Achieved</b>	SMME Strategy adopted by Board	n/a
1.37 Number of SMME policies developed and implemented	One (1) SMME draft Policy developed	n/a	1 SMME draft policy developed	<b>Achieved</b>	SMME policy developed and adopted by Board.	n/a
1.38 Number of SMME funding database updated	One (1) SMME funding database updated	n/a	SMME database to be updated	<b>Achieved</b>	SMME funding database developed	n/a
1.39 Project 2 (Integrated Waste Management, Beautification programme) -(PEP Public Employment Program) short-term project 6 months	Project 2 rolled out, 1 project initiation report (Integrated Waste Management, Beautification programme)	n/a	PEP - Project Rollout and the initiation report	<b>Achieved</b>	Project initiation and roll out report developed	n/a
1.40 Number of jobs created in Project 2 (PEP)	Twenty (20) jobs created	n/a	20 jobs created	<b>Achieved</b>	20 jobs created through the PEP Programme	n/a
1.41 Number of participants from designated groups employed	Twenty (20) participants from designated groups	7 600 000	20 participants from designated groups	<b>Achieved</b>	20 participants from designated groups	n/a

### 10.5 Outcome 5: A well governed and viable agency

Output Indicator	Annual Target	Budget	Actual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.42 Health of financial ratios	Liquidity = 2:1 Debt Coverage = 1:1 Operating Cost Coverage = 2:1 Solvency = 1:1 Profit margin = 5%	Nil	Liquidity = 2:1 Debt Coverage = 1:1 Operating Cost Coverage = 2:1 Solvency = 1:1 Profit margin = 5%	<b>Achieved:</b> <b>Liquidity = 2:4</b>	None	None
1.43 Implementation of a Financial Sustainability Strategy	Implementation and Monitoring of Financial Sustainability Strategy	Nil	Implementation and monitoring of Financial Sustainability Strategy	<b>Achieved:</b> - <b>PM Fees collected amount to R5.7 million year to date.</b> - <b>Interest on investments amounts to R 721781.54 year to date.</b> - <b>Operational grant from the City amounts to R42.1 million (Excl. VAT) year to date.</b> <b>Not achieved:</b> - <b>Developmental Levy from development of land parcels not yet realised.</b>	Slow progress in concluding of development agreements.	Conclusion of development agreements.
1.44 Compliance on financial planning, administration, and reporting requirement	100% compliance	Nil	100% compliance	<b>1. Financial and performance reports submitted - Achieved.</b> <b>2. % Of creditors paid within 30 days - Achieved.</b> <b>3. Monthly budget statements for submitted by the 7th working day – Achieved.</b> <b>4. Reconciliation of revenue, expenditure, assets, and liabilities – Achieved.</b> <b>5. Submission of EMP 201 returns within 7 days – Achieved.</b> <b>6. Submission of VAT 201 returns by the last</b>	None	None

Output Indicator	Annual Target	Budget	Actual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
				<p>working day of the month – Achieved.</p> <p>7. Submission of EMP 501 returns by October and May – EMP 501 - Achieved.</p> <p>8. Updating and maintenance of fixed asset register – Achieved.</p> <p>9. Submission of annual budget for approval by 31 May – Achieved.</p> <p>10. Monitor mSCOA compliance – Achieved.</p> <p>11. % Compliance with Supply Chain Management Policy – Achieved.</p> <p>12. Develop and adherence to annual procurement plan – Achieved.</p> <p>Monthly evaluation of supplier performance and maintenance of contracts register – Achieved.</p>		
1.45 Improved Audit Outcome	Unqualified Audit Opinion without findings	Nil	Unqualified Audit Opinion without findings	<b>Not Achieved. Audit opinion was unqualified with findings.</b>	Audit opinion was with findings on irregular expenditure & project management.	The incorrect adoption of the gazette which resulted in irregular expenditure was addressed through revision of the SCM Policy Jan. Findings relating to project management addressed.

Output Indicator	Annual Target	Budget	Actual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.46 Expenditure incurred	97% Spending of grant from the city	Nil	97% Spending of grant from the city	<b>Achieved: 100% Spending of grant from the city</b>	None	None
1.47 Improved percentage implementation of recommendations from External and Internal Audit Reports	100 % Implementation of recommendations from External and Internal Audit reports	Nil	90 % Implementation of recommendations from External and Internal Audit reports	<b>Achieved: 100 % Implementation of recommendations from External and Internal Audit reports</b>	None	None
1.48. % LEVEL ONE BBEE expenditure on procurement of goods and services	75%	Nil	75%	<b>Achieved: 96.84%</b>	None	75%
1.49 Agency performance level	100 % Performance Level Achievement	Nil	Conduct Quarterly Performance Reviews	<b>Achieved The informal quarterly performance discussion has been conducted.</b>	None	None
1.50 Level of wellness of the employees	100% Employee Wellness	R350 000.00	100% Employee Wellness	<b>Achieved The agency continues to utilize the services of the Wellness Service provider.</b>	None	None
1.51 Competitiveness of reward systems	Salary Competitive ratio	R28 757 152.00	Implementation of Reviewed Remuneration Systems – Executive Level	<b>Achieved The reviewed remuneration systems for Executive Level was implemented</b>	None	None
1.52 Employment Equity Compliance	100% compliance with Employment Equity	Nil	Research and Benchmarking for Employment Equity Plan	<b>Achieved The research and benchmarking for Employment Equity Plan were done.</b>	None	None
1.53 Skills Development and Highly Skilled Staff	97% spent of approved training budget	R320 000 .00	97% Spent of approved training budget	<b>Achieved 97% has been spent from the approved training budget.</b>	None	None
1.54 Level of global connectedness [Number of systems/solutions deployed]	4 Systems/Solutions deployed	R500 000.00	1 system/ solution deployed	<b>Achieved The Patch Management solution was deployed.</b>	None	None

Output Indicator	Annual Target	Budget	Actual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
1.55 Amount of contribution to relevant research platforms on relevant work [Number of research platforms adopted]	2 Research Platforms adopted	Nil	N/A	<b>N/A</b>	None	None
1.56 Amount of contribution to Smart City programme [Number of smart city initiatives implemented]	2 Smart City Initiatives implemented	R200 000 .00	1 smart city initiative implemented	<b>Not achieved</b>	The delays in approval of the Smart City strategy of the metro done by World Bank meant delays in approval or agreement on the proposed Smart City initiatives.	The Agency to finalise partnerships for implementation in Q1 of 2022/23
1.57 Governance maturity level	Level 4: Institutionalised		Level 4: Institutionalized	<b>Achieved</b>	Several core governance activities were conducted, these include amongst others: <ul style="list-style-type: none"> <li>• 7 Board Meetings held</li> <li>• 26 Committee Meetings organised.</li> <li>• 16 Board Committee reports prepared</li> <li>• 1 AGM held during Quarter 1.</li> <li>• 100% ARC TOR Reviewed.</li> </ul> MOUs and commercial agreements were reviewed 100%.	N/A
1.58 Number of reports and data sets that supports sound decision making made available to partners	3 reports and datasets made available to partners	Nil	1 report and dataset made available to partners	<b>Achieved</b>	BCMDA continues to engage several institutions during this quarter some of the notable engagements include: MPAC, Political IGR, City Council, MEC COGTA,	N/A
1.59 4Number of companies / institutions / individuals to whom you have sent information and received feedback	5 companies / institutions / individuals engaged	Nil	1 company / institution / individual engaged	<b>Achieved</b>	BCMDA continues to engage several institutions during this quarter some of the notable engagements include: MPAC, Political IGR, City Council, MEC COGTA, Nelson Mandela Bay Metro Development Agency,	N/A

Output Indicator	Annual Target	Budget	Actual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
					Dubai International Investment Conference.	
1.60 Value derived from Stakeholder Management [Number of engagements converted to Strategic Partnerships]	2 engagements converted to Strategic Partnerships	Nil	2 engagements converted to Strategic Partnerships	<b>Achieved</b>	<p>BCMDA has entered a strategic partnership with the Boarder Kie Chamber of Business and the City Waste an Environment Management Department, this was witnessed through the signing of a MOU and the implementation of a public employment programme.</p> <p>BCMDA has elevated its engagements with BPESA into a more strategic relationship this was witnessed by the BCMDA's participated in the BPASA- ECPTA Investors engagement where BCMDA participated in. BCMDA is also a registered member of BPESA.</p>	N/A
1.61 Number of annual performance reports developed	1 Annual performance report developed	Nil	1 Annual performance report developed	<b>Achieved</b>	Annual preference report was completed.	N/A
1.62 Number of Integrated Annual Report Developed	1 Integrated annual report developed	Nil	1 Integrated annual report developed	<b>Not Achieved</b>	Due to unit capacity challenges, there have been delays in completing the work	Additional resources have been allocated to ensure the functions receives due attention.
1.63 Number of communication policies developed and implemented	1 Communication policy draft developed	Nil	1 Communication policy draft developed	<b>Achieved</b>	Communication policy was adopted by Board	N/A
1.64 Number of communication strategies developed and	1 communication strategy developed	Nil	1 communication strategy developed	<b>Not Achieved</b>	Communication strategy is at draft level and requires more work	Fast track development of strategy for completion in the 1 <sup>st</sup> quarter of the next



Output Indicator	Annual Target	Budget	Actual performance	Achieved / Progress	Comments / Challenges	Corrective Measures
						financial year.

## **PART E: PROJECT AND SERVICE DELIVERY**

### **11. PROGRAMME PERFORMANCE**

As outlined in the previous chapter the mandate of the BCMDA is to attract investors into Buffalo City and increase economic growth through tourism, economic and social development, and property management and commercialisation. This mandate is carried out through five outcomes.

- Outcome 1: Dynamic Tourist attraction
- Outcome 2: Attractive home for global investments and sustainable economic development
- Outcome 3: A robust property market
- Outcome 4: Delivered Socio-Economic development programs
- Outcome 5: A well governed and viable agency

#### **11.1 OUTCOME 1: DYNAMIC TOURIST ATTRACTION**

It is now four years since the Agency initiated its Tourism Development Program. The programme is guided by the vision of making the metro a compelling destination to live, work, invest and play for both local and international tourists.

The Agency has invested in acquiring the requisite foundational skills to drive this process. Our capacitation process commenced with the appointment of the Manager for Investment Promotion and Tourism Development in the 2018/19 Financial Year. This process was further reinforced with the appointment of the Program Manager for Tourism Development during the year under review (2019/20 Financial Year).

In the 2018/19 financial year we indicated that we made a significant progress towards the development of the **Tourism Infrastructure Master Plan (TIM)** in collaboration with the Human Sciences Research Council (HSRC), this work was completed in the 2019/20 and saw the commencement of its implementation during the 2020/2021 financial year. During the year under review, we continued consolidating this work.

##### **Review of the Tourism Infrastructure Master Plan**

This year's report marks the second year in which the TIM plan has been in operation. Planning processes were initiated to commence with the assessment of the TIM. The review process is intended to gather best practice from the current document as well as assess areas in which it can be improved on. In addition, the review process is also intended to:

- Determine the extent to which tourism infrastructure planning finds expression in the route development and placemaking initiatives.

- To evaluate the alignment of TIM to the tourism infrastructure development mandate of the BCMDA.
- To advance integrated tourism planning in order to influence the Metro to prioritise tourism infrastructure in its infrastructure development plans.
- To ensuring encourage planning and prioritisation of tourism infrastructure around Buffalo City Metro.
- To propose specific interventions aimed at ensuring that placemaking and product development initiatives consider infrastructure upgrade requirements.
- To address gaps in the current TIM Strategy by making clear recommendations on the design, scope, methodology and implementation framework for a new Tourism Infrastructure Planning programme.

### **Public Art Policy and Strategy**

In further deepening its tourism programme the agency developed the Public Art Policy and Strategy. This work further strengthens the hub and spoke model purported by the TIM. The strategy proposes the development of nodes /spokes with specific icons that will reinforce the placemaking agenda of our implementation as well as recommendations of possible types of public art that can be deployed in the BCMM.

In ensuring the implementation of the strategy the Agency initiated a call for proposals for interested artist and architects to serve in a panel of public art service providers for the BCMDA for a three-year period. Some of the responsibilities include designing and installation of public art features in the metro as well as landscaping and beautification services.

### **Tourism Route Development**

The Agency was also successful in commencing with the piloting of the Duncan Village Route. In this regard we commenced with the storyline research and development process towards the build-up a Duncan Village narrative that would inform content of interpretive boards. The programme also saw the work commence on the first phase of the refurbishment of the Dr. Rubusane Grave Site.

The Agency has a limited amount of funds and hopes that this start will encourage further interest and investment into the development of this high potential heritage site. In addition to this, the focus was on getting the Mzonyane grave site development ready. In this regard the agency conducted a site clearance of the precinct to assess the type of work required to get the site ready for development.

This work will gather more momentum in the next financial year with the appointment of a service provider to conduct the following activities over the next three years:

**Task1:**

Generation of storylines and installation of interpretive boards for Mdantsane, Qonce - Zwelitsha-Bhisho and Dimbaza.

**Task 2:**

Development of tourism route concept for Mdantsane, Qonce – Zwelitsha - Bhisho and Dimbaza and coastal strip.

**Task 3:**

Development of business cases for Mdantsane, Qonce - Zwelitsha-Bisho and Dimbaza.

**Task 4:**

Stakeholder engagements

**Task 5:**

Engagement with investors and potential partners.

**Promotion of Court Crescent & Water World**

The Agency continued with its process of identity building and theming for the two facilities, this resulted in the development of specific themes and brand icons for the facilities. Further to this, the Agency tested the market to assess if there was interest from the market to host self-funded events. The agency is encouraged to note the enthusiasm that was shown by the market and already ten potential events were attracted to the facilities. We hope that the quality and diversity of the proposed events will add a positive dynamic offering to both tourists and citizens of the Metro.

**11.2 OUTCOME 2: ATTRACTIVE HOME FOR GLOBAL INVESTMENTS AND SUSTAINABLE ECONOMIC DEVELOPMENT**

**Investment Promotion**

The BCMDA aims to promote BCMM as a preferred investment destination. The primary mandate of BCMDA is to attract investors into Buffalo City and increase economic growth through tourism, economic and social development as well as property management and commercialisation.

The Agency's investment promotion architecture and sustainability strategy is significantly premised on property development; however, industrialisation also forms a key anchor of the key anchor of the Agency's investment promotion objectives. The aim is to optimise the benefits of current investments while seeking re-investments and realising alternative revenue streams for the Agency. An additional element of this work is premised on conducting research and packaging projects for investments.

### **BCMDA as a Facilitator**

By offering effective investment facilitation, BCMDA builds confidence towards investing in BCMM. Investment facilitation influences the investment decision to locate in BCMM.

Investment in Tourism and Multi Sector development

BCMDA earns a development facilitation fee from BCMM for rendering services such as:

- Facilitating the provision of bulk services
- Facilitating the process of providing land to developers for improvement / development
- Facilitation planning approvals for the land (BCMDA acting as liaison between the developer and BCMM)
- Site identification and advice
- Assist investors with application processes and facilitate the expedient processing of applications submitted by investors to the municipality.

BCMDA earns a development facilitation fee for the rendering of these services. Examples include Sleeper Sire, Marina Glen A, Victoria Grounds and Seaview Crescent.

### **BCMDA as a Property Developer**

This is where BCMM is the investor and BCMDA acts as the developer. A scenario in place, is Water World and Court Crescent, where BCMM provided the capital budget, and entrusted BCMDA to undertake the planning, design, and the appointment of a contractor to implement the project. As of 30 June 2022, both projects were almost 80% into completion.

BCMDA Property investment projects consist of primary two broad categories. Firstly, property investment projects that are funded by the municipality and handed over for the BCMDA to implement. Secondly, property investment projects where BCMDA is expected to raise funding from the private sector as well as the implementation of such projects commonly termed turnkey solutions.

Hence, BCMDA has embarked on strategic land parcels to explore opportunities to enhance and optimize its own generated revenue streams. This in turn will align the Agency to the Metro Growth and Development Strategy 2030 (MGDS 2030) in Financial Sustainability Strategy and correspondingly reduce the organization's dependency on funding from BCMM.

BCMDA in collaboration with other social partners is in a process of implementing BCMM Catalytic Land Developments through massive investment in Infrastructure.

The following strategic land parcels are projects that are being implemented and some are in the planning stages:

### **Marina Glen A**

Marina Glen A is a vacant 3.1-hectare municipal property located on the beachfront next to the Buffalo Park Cricket Grounds and adjacent to the Garden Court Hotel. This land parcel is proposed as a mixed-use development site that will contribute to the city's revenue but boost the economy in relation to retail and tourism. The site is ideally located towards a live-work-play concept and will contribute towards the city and the BCMDA's SMART city concept. Furthermore, it will complement the current interactive park that is being constructed by BMCDA at Court Crescent.

To this end, BCMDA has appointed a turnkey property developer to holistically redevelop the Marina Glen A land parcel and adjacent open space of the Buffalo Park Cricket Grounds, improving both the community sporting, heritage, and cultural infrastructure as well as unlocking the economic potential with a proposed retail commercial development.

### **Sleeper Site**

The Sleeper Site is a vacant 13.6-hectare municipal property located in the central business district of East London. This land parcel is proposed as a mixed-use development site that will contribute to the city's revenue but also boost the economy in relation to retail and tourism. It is paramount that the development of the mixed-use facility considers student accommodation as part of the plan.

BCMDA has appointed a turnkey property developer to holistically redevelop the Sleeper Site land parcel, improving both the community, heritage, and cultural infrastructure as well as unlocking the economic potential with a proposed retail commercial development.

### **Seaview Terrace**

The BCMDA has targeted this location for further hotel development. The 1.5-hectare site is conveniently located in the heart of East London Beachfront, within walking distance of a few recreational amenities. A property developer and an investor have been identified.

During the year under review, the Agency was able to sign a notarial lease and further discussions regarding the Development Agreement are underway.

### **Victoria Grounds Development**

This 1.6-hectare municipal land parcel is situated in the central business district of King William's Town (now Qonce) and is targeted for retail, sporting, and event housing facilities development. An investor has been identified and the project will see the development of a shopping mall where

Victoria Grounds currently exists, and then also offer the Metro alternative sporting grounds next to the gold club in King William's Town.

BCMDA takes into account the history and significance of Victoria Grounds and jointly with the developer will explore sensitive and appropriate measures to ensure that all necessary heritage aspects in Victoria Grounds are dealt with in a sensitive and respectful manner.

At this stage the investor for the Victor Grounds developments has already been secured. The progress on the latest developments are discussions on the finalisation of the notarial lease agreement. In addition, to Social Facilitation plan has been developed with a service provider to deal with social facilitation. There is a need to resolve what the heritage requirements are to incorporate these into the project to ensure that appropriate stakeholder consultations and involvements have taken place and are documented accordingly.

### **11.3 OUTCOME 3: A ROBUST PROPERTY MARKET**

Goal 3 forms part of the Agency's key service delivery components with a core focus on property development as well as supportive property development functions. Goal 3 includes the following two strategic objectives that form part of its programmes and give rise to its performance indicators: Inner City Regeneration and Well-Developed Beachfront. The two strategic objectives give rise to the following performance indicators.

- Business Improvement District Strategy
- Public Safety and Security
- Integrated Beachfront programme
- Water World and Court Crescent

#### **Business Improvement District Strategy**

The Business Improvement District Strategy was submitted and endorsed by Board meeting on 21 June 2019. The strategy was presented to BCMM as part of BEPP to ensure planning alignment in June 2019 and the document was further shared with the National Treasury for potential funding.

A Business Improvement District (BID) is a public private partnership in which property and business owners elect to make a collective contribution to the maintenance, development and promotion of their commercial district. In the case of East London these areas would include the Central Business District (CBD), Southernwood and Quigney where most tertiary functions are situated. The aim of investing in a programme of this nature is to ensure:

- a cleaner, safer and more attractive business district.



- a steady and reliable funding source for supplemental services to existing municipal services and programs;
- the potential to increase property values, improve sales and decrease commercial vacancy rates;
- a district that is better able to compete with nearby retail and business centers;
- investment in the long-term economic development the BCM area.

After engagements with a variety of stakeholders which include national, provincial and municipal officials; representatives of major local place-based institutions, such as the University of Fort Hare and Walter Sisulu University, key financial stakeholders, private property developers, stakeholders from major industrial and trade hubs in the city, private-sector and civil-society development practitioners, academics and activists, a strategy was developed that include the following programmes:

- Neighbourhood Improvement Program
- Property Development Program
- Social Infrastructure Improvement Program
- Skills Development Program
- Enterprise Development Program
- Branding Plan

The ultimate objectives of these programmes are to realise short-term localised projects and precincts which gradually and over time have an impact on the spatial economy of the city as a whole. Such projects in relation to urban safety and upgrading and cleaning of spaces is within the agencies Agenda starting in the 2019/20 financial year.

It is recognised that crime has a significant negative impact on tourism development, reduces the property value and reduces the general quality of life. As part of the City Improvement Districts (CID) and aligned to the IBP, a safety and security modality was implemented in the East London beachfront. The modality is based on BCMDA providing security services for users of the beachfront this includes residences and visitors.

### **Public Safety and Security**

A Safety and Security modality of CID was implemented in the East London Beachfront. In 2021, the Agency appointed On Point Security Services, a black-owned company through a competitive and rigorous tender process.

The company provides the security services with its operations in Esplanade Road, Fleet Street, Oxford Street and St George's Road. During the year under review the quality of service has been

continuously monitored to ensure that any non-compliance is addressed with regular engagements to assess the quality of the service and advise on interventions. Submission of consolidated reports to PDIC for quality assurance.

The East London Esplanade is home to the International Convention Centre and various Hotel and accommodation establishments which draw a number of business, international and local tourists on a daily basis. Its proximity to the ocean is the major drawcard and contributes to the highest number of tourism feet in the Metro.

It is thus important that the safety of those visiting our shores are ensured. BCMDA saw this as part of its strategic mandates and made a conscious decision to supplement the work of the SAPS and other law enforcements agencies.

On Point presence assists with interventions to reduce criminal activities taking place at the beach front. On Point employs 56 people for this project with 8 security guards patrolling the beachfront on a 24-hours basis (2 shifts and 4 per shift). Their work acts as deterrents for petty-crimes robberies, pick-pocketing whilst they also assist with accidents, medical emergencies and general information to any member of the public and tourists.

The impact of their work has seen a decrease in criminal activities, and it is the wish of the Agency to expand this work to the CBD and Southernwood in response to the Business Improvement Districts and to safeguard especially students and women, who are a vulnerable group targeted by criminals.

### **Integrated Beachfront programme**

During the year under review the Integrated Beachfront Programme Plan was completed in March 2019 and Plan was submitted to the Project Development & Investment Committee (PDIC) on 6 May 2019 and subsequently the BCMDA Board meeting on 24 May 2019. The Plan was endorsed by the committee and the Board.

The Agency has entered into partnership with the Transnet National Ports Authority (TNPA) East London towards the development of Latimer's Landing as part of a broader and extended beachfront development. To this end during this financial year the Agency developed a Waterfront business case for Latimer's Landing. In adding to this, the Agency also developed a business case for Signal Hill. This work has the potential to significantly change the face of the Buffalo City Metro Beachfront.

According to the BCM Tourism Growth Strategy based on interviews with visitors, beaches are the main attraction for Buffalo City. It is estimated that 50 000 visitors visit Buffalo City beaches per day over the festive season. The Buffalo City Tourism sector has various inherent challenges. The safety and security of visitors on its beaches in particular has become a major concern. Also, the state of beaches is alarming as most of the beaches are underdeveloped and the existing tourist attractions have not been maintained for over a decade. This may be due to the lack of anchor projects, which are aimed at developing the beachfront. In addition, the lack of coordination from various tourism participants and a creation of unique products may have contributed to the challenges.

Emanating from its strategic plan with a target of realising a 'well-developed beachfront', the Agency has recognised that the development of an Integrated Beachfront Programme (IBP) would be a cornerstone in the identification, planning and implementation of development projects that would leverage the approximately 70 km of beach and coastline, in particular the beachfront as one of the Metro's greatest natural assets. This largely underdeveloped and unexploited area has the potential of forming the foundation of a thriving tourism, recreation, and holiday industry.

Although the BCM Beaches are popular holiday destinations for domestic and foreign tourists alike, it remains underdeveloped relative to its potential. The infrastructure scenarios and deficiencies deriving from the assessment shows the need for basic interventions as illustrated below.

The East London beaches are the biggest tourism attraction for the Metro. The state of the beaches has been a contention for both local, regional and foreign visitors over the past few years. BCMDA will therefore make a concerted effort to ensure that it respond to the need for better and safer beaches through infrastructure interventions in targeted areas in the next financial year.

### **Water World and Court Crescent**

The Water World upgrade and Court Crescent projects are the two key infrastructure projects that the Agency is currently undertaking. The projects have taken longer to reach implementation stage due to a number of due diligence procedures such as environmental impact assessment and their approval. Review of designs and geotechnical studies also had to be undertaken given that these projects are on the coastal belt. By the end of the financial year EIAs had been completed as well as the geotechnical studies for both projects. The year also ended on a positive note with the appointment of the construction project management consultant for both these projects.

The Water World upgrading and expansion as a recreational and tourism space in the West Bank as well as the Court Crescent on the East London Esplanade as an interactive public open space for recreation and targeted events that boost tourism, are flagship projects of the BCMDA.

The Water World upgrade project is viewed as an attempt to balance beach development and diversify the Metro's tourism offerings. The initiative also seeks to relieve the excessive use of the Esplanade / Quigney area. The Agency has been requested by the BCMM to upgrade and expand the current facility. This work is aligned to the West Bank Local Spatial Development Framework (LSDF). The construction will include some of the following facilities:

- Braai areas
- Hawker stalls,
- Ablutions facilities
- Life savers and public change rooms
- Amphitheatre, sand pits and swimming pools

The Court Crescent project is a green fields development and seeks to respond to the East London Beach Front LSDF. BCMDA appointed consultants for design works in 2017 for both projects which resulted in the approvals of the EIA's for both projects in December 2018 and municipal authorisations in relation to town planning, architectural, engineering and related approvals, in January 2019. The construction will include some of the following facilities:

- Information Centre
- Ablutions facilities
- Amphitheatre Information Centre
- Walkways and
- Hawker Stalls

The approvals and authorizations paved the way for BCMDA to appoint Project Managers on both projects in May 2019 so that the process for on-site construction could start in the next financial year.

BCMDA ensured local participation in these projects with 30% of the construction works set aside for SMME's and 70% participation from localised labourers.

#### 11.4 GOAL 4: DELIVERED SOCIO-ECONOMIC DEVELOPMENT PROGRAMMES

BCMDA is mandated to conceptualise, plan and execute catalytic socio-economic development projects. The following programmes are geared toward ensuring that the Agency becomes more responsive to stakeholder needs:

##### **Integrated Waste Management, Greening And Beautification Programme**

The waste management programme experienced delays in approval of the Business Plan by DEA/ DEFF that only occurred midway through the financial year, various other necessary procurement and work processes ensued. The programme is funded by the National Treasury as a Public Employment Programme under the Presidential Stimulus Fund. It kicked off in June 2022, three months later than the planned date due to a National Treasury notice advising organization's to halt procurement of goods and services. The notice prevented the procurement of protective gear and working tools.

Notwithstanding this the programme has witnessed significant positive momentum. It was decided that the project would be piloted at the coastal part of the metro and 8 sites were identified for implementation, these include amongst others, three sites in Mdantsane, a site in Duncan Village as well as Southernwood. This work has positioned the Agency well and led to a number of partnerships in fighting the challenges of waste management. A notable achievement to this end was the Agency's instrumental role in planning and supporting the launch of the Presidential Good Greed Deeds Programme.

This project forms part of the Good Green Deeds and city-wide waste management projects funded by the national Department of Environmental Affairs, and which was launched by the President of the Republic on 8 March 2019. The project provides labour intensive work opportunities to mostly youth and women Metro-wide and will run for at least 12 months. Participants work an 8-hour day for 5 days and were further capacitated with various training opportunities. It was agreed that initial the pilot phase of the project would focus on the Metro's coastal region, to this end the following sites have been receiving services from the BCMDA:

- Mdantsane : NU 2 rent office precinct
- Mdantsane: Corner of Lutheran
- Mdantsane: NU 5 rent office precinct
- Duncan Village: Post Office Precinct
- Amalinda: Haven Hills and Highway garden
- Southernwood: Gateway road towards Baysville
- Quigney: ABSA Stadium precinct

- Nompumelelo: From the Beacon Bay Crossing Park to Mirfield traffic circle.
- Gonubie: Mzamomhle township

The programme offers the following services to these selected hot spots:

- street cleaning and removal of waste in illegal dump sites.
- collection of recyclable materials and cleaning of selected eco parks.

They also assist with specific activities and or events hosted by various partner organizations within the Metro.

At the end of the year, the project had concluded recruitment of the build of the workforce with 188 participants. A total of 178 of these participants were from the street cleaning, waste collection and separation components of the project. A total of 10 participants were from the textile component of the programme. Participants participated in an extensive induction programme which was conducted in partnership with the Department of Employment and Labour. The programme was declared to be compliant with the Department of Labour Regulations governing Public Employment Programmes.

This project seeks to test creative approaches to public employment and therefore exhibits innovation components such as:

#### **Conventional PEP**

- Street Cleaning and open public open spaces
- Waste collection
- Waste separation
- Waste Transportation
- Coastal patrol
- Greening

#### **Innovative PEP**

- Public Art
- Textiles and Prints
- Public Awareness and Education

#### **Shushu B Agro - Processing Business Case Development:**

In line with Outcome 4 to deliver socio-economic development programs, revitalising agriculture and agro-processing value chain was identified. Shushu B Agro-Processing business case was

developed, with the assistance of CSIR to identify and profile potential economic development opportunities for Shushu B Village.

The objective was to select one opportunity and carry out a feasibility study to assess the viability of establishing an enterprise that would provide jobs to the local community. The value chain analysis was finalised, with opportunities identified and assessed. These opportunities were profiled, and based on the information shared during these engagements, the community selected the vegetable production opportunity for the feasibility study.

The Business Case identifies a few crops that can be produced and commercialised, including:

- Potatoes
- Onions
- Carrots
- Green beans
- Butternuts
- Peppers

The document has been workshopped with the Shushu B community. The Agency will initiate a process of finding an investor for the project whose investment will be the creation of downstream and upstream opportunities for the community including small-scale farmers within the area.

### **Corporate Social Investment (CSI)**

CSI forms and integral part of BCMDA's commitment to the development of communities and to enhance the company's reputation of being a responsible corporate and valued partner amongst the communities it serves. To give effect to this intent, the Agency commits itself to annually investing in projects that empower and assist vulnerable communities within the broader Buffalo City Metro.

The Covid-19 Pandemic created various challenges throughout the country and particularly the aspect of food availability and hunger. In this regard the focus area for the CSI was Non-profit organisations with a responsibility and response to food security, community food gardens, backyard gardens and soup kitchens.

The number of applications received is a clear indication of the need for corporates to invest in such programmes, especially rural areas. It also reflects growth and interest in the BCMDA brand. Of the 36 applications received, four (4) were selected. The annual target of NPOs to be funded was three (3). The four NPOs were visited several times by BCMDA personnel; not only for



verification, but for interaction and experiencing the invaluable work carried out by the NPOs in their respective communities.

The four NPOs supported are:

- Embo Yakwa Ntu, a community-based programme in Duncan Village, that focuses on uplifting communities to reduce poverty through community gardening and a soup kitchen
- East London Child and Youth Care Centre – Isibindi, Isibindi is a community-based programme in Ncera Village, that strengthens families and address social ills, with children as their focus area
- Ripples for Change - a community-based programme reaching out to 400 homes in Ncera Village, whose main goal is to encourage people from rural communities to grow vegetables in their backyards
- African Footprints of Hope – Sweetwaters, - a youth and community development programme King Williams’ Town, whose goal seeks to address hunger and poverty

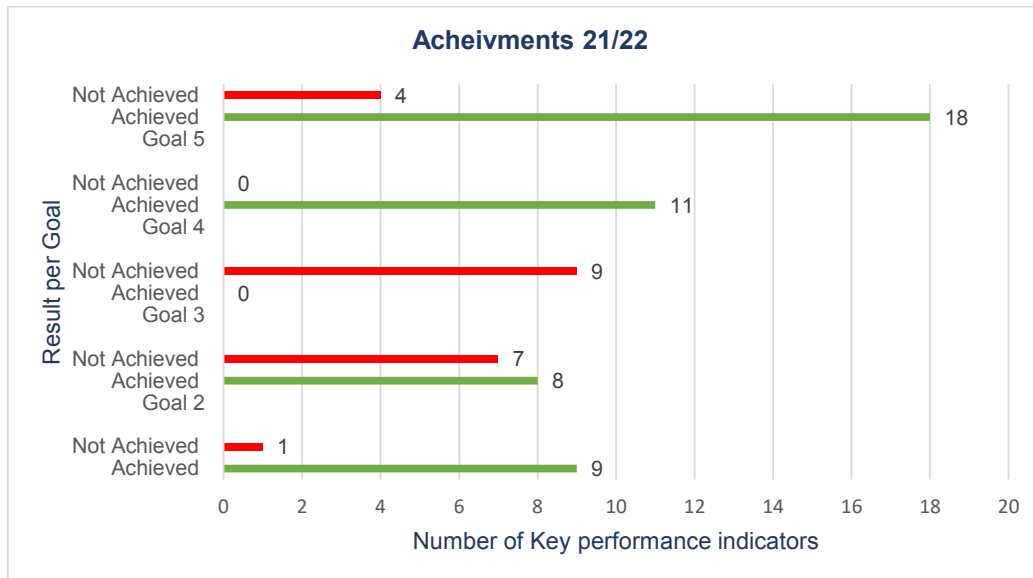
The table below provides and account to the NPOs that were supported during the year under review as well as nature of support provided by the Agency as well as the value of the support per project:

<b>NPO Name</b>	<b>Address</b>	<b>Area of Interest</b>	<b>Assistance Provided</b>	<b>Funded Amount</b>
<b>1. Embo Yakwa Ntu</b>	Gompo Town	Community Development	Embo Yakwa Ntu is a community-based programme that focuses on uplifting communities in order to reduce poverty, increase self-sustainability, become Ambassadors for compassion for others and overall upliftment of the Gompo Town society. They also have a Youth Development Programme – along with Safe Parks for children in need of positive spaces to develop and play in.	R48 874.25
<b>2. East London Child and Youth Care Centre – Isibindi</b>	Ncera Village	Community Development	Isibindi is a community-based programme that strengthens families and helps protect children at risk, neglect and other social ills , such as HIV/AIDS. It focuses on psychosocial well-being of children and	R48 874.25

NPO Name	Address	Area of Interest	Assistance Provided	Funded Amount
			adolescents by supporting positive care giving in disadvantaged households and assisting families to access key services.	
<b>3. Ripples for Change</b>	Ncera Village	Food Security	Ripples for Change is a community-based programme in partnership with Ihlosi Development Trust, whose main main goal is to encourage people from rural communities to grow vegetables in their back garden, to strengthen their food security and transfer knowledge and skills on sustainable gardening.	R49 301.78
<b>4. African Footprints of Hope – Sweetwater’s, King Williams’ Town</b>	Daleview, King Williams Town	Community Development and Food Security	African Footprints is a youth and community development programme, whose goal seeks to address hunger and poverty, improve quality of life through healthy nutrition (through food gardens), as well as contribute to the environmental quality in the area.	R50 000.00

### 11.5 OUTCOME 5: A WELL GOVERNED AND VIABLE AGENCY

The aim of goal one is to ensure a stable and fully capitated agency to deliver on its mandate effectively, this goal forms the backbone and support to the Agency’s core business which are in the remaining goals. Goal five includes the following key strategic objectives that form its programmes and give rise to its performance indicators in terms of financial sustainability, governance maturity, stakeholder management and a high performing and motivated staff and creation of a sound research platform



The above strategic goals are executed through goal 5 and by a total of 22 performance indicators that are carried out primarily by the Office of the Chief Financial Officer and Corporate Services as well as the Office of the Chief Executive Officer.

This goal is essential in ensuring that the Agency is able to maintain credible accounting principles while at the same time ensuring delivery of support services to the Agency's service delivery programmes. In addition, this the goal is focused on ensuring that adequate human resourcing of the Agency backed by an information technology programme that is able to provide practical and user adoptive services. The goal is also focused legal support matters and effective board support to ensure good corporate governance, this is in order to ensure the agency is strategically aligned to executing its mandate.

During this finical year the agency was able to achieve 18 (81%) of its performance targets with only 4 (19%) not being met. This positive achievement attests to our general observations as stated in the previous annual report that a significant amount of effort has been placed at ensuring that the financial, governance and support systems for the agency are in place.

To this end we are pleased to note that the Agency once again received an unqualified audit outcome even though with findings this year. This work is supported by the Agency's commitment at responding and addressing recommendations from the office of the Auditor General and the internal audit process. The work creates the relevant framework for the business growth and development and seeks to earnestly mitigate against the agency's dependency on the City as

primary source of revenue. The running of clean agency governance and building and managing a property portfolio are key components to ensure we move towards financial sustainability.

The Agency has continued to seek better approaches at ensuring that it supports its core business, this has been achieved and sustained through an effective supply chain and financial management team. Acquired resources are managed and accounted for throughout the year by our asset management system that is administered through the Asset Register. This work has been the agency's ability to implement all the targeted elements of the Supply Chain Management Policy.

With respect managing the most valuable resource which are our staff, the performance management system and related processes such as training and development and mentoring and coaching were identified as key aspects for the implementation. Information technology systems are also critical to ensure a smooth and efficient Agency and work has continued to implement the Enterprise Master System Plan and the Enterprise Backup and recovery solution. Both human resources and information technology are key contributors to effective Risk Management System and to ensure readiness for any possible risks and challenges to the agency's business continuity.

The Agency draws strength in having achieved all its targets they year with reference to the effectiveness of Board Secretariat and Legal Support services. The commitment to meeting the targets of this strategic objective further strengthens the agencies good governance precepts as well as ensures the agency is on a solid path with reference to its strategic direction. Some of the notable achievements in this strategic goal include the seating of all board sessions and committee sessions as well as the total execution of all board resolutions.

The Agency aspires to be considered as the employer of choice and strides to ensure that it is adequately and appropriately staffed. To this end the agency was able to achieve its target of ensuring all funded vacant positions were filled. In this regard the Agency was pleased to welcome the Programme Manager for Development Facilitation as well as a Manager for Investment Promotion and Tourism Development. We are enthusiastic to highlight that our internship programme is moving full steam ahead and has been able to achieve the target of ensuring all vacant internship posts are filled. We have relished the enthusiasm and creativity which this new staff cohort has brought to the Agency. Equally the agency seeks to ensure that it provides a suitable working environment for all its employees through ensuring 100 % adherence to Occupational Health and Safety Act 85 of 1993.

## PART F: ORGANISATIONAL DEVELOPMENT AND HUMAN RESOURCES

### Human Resources and Organisational Development

BCMDA aims to be the employer of choice in its field. This is supported by the BCMDA's overall objective, as out in its Talent Acquisition & On-Boarding Policy, to ensure that its employment practices and remuneration policies motivate and retain talented employees and create an attractive work environment.

BCMDA periodically reviews its Human Resource Policies to ensure that it remains relevant and practical for the changing needs of current and potential employees.

### Learning & Development

The learnership programmes provide an excellent opportunity for graduates to acquire experience in their different fields of expertise as well as other operational areas of the BCMDA. Four interns were appointed in various divisions for 2021/22 financial year.

DIVISION	DATE OF ENGAGEMENT
<b>Office of CEO</b>	01 October 2021
Marketing & Communications Intern	
<b>Corporate Services</b>	
Human Resources Intern	01 October 2021
ICT Intern	01 October 2021

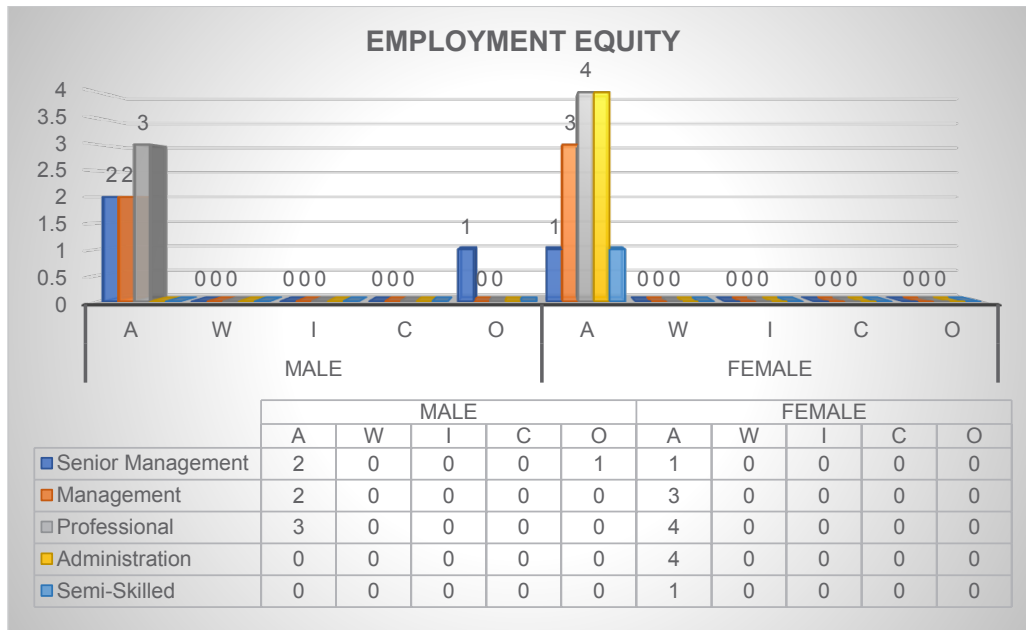
### Key Vacancies 2020/21

A key strategy of BCMDA is to ensure that there is adequate human resources capacity to deliver on the mandate. With regards to vacancies, for the post of Junior Accountant: SCM & Asset Management & Junior Accountant: Financial Administration, the recruitment process is completed. The Junior Accountants commenced employment on 18/10/2021 and 01/11/2021 in the 2020/21 financial year.

### Employment Equity

BCMDA is committed to the principles of equity, non-discrimination, and diversity enshrined in the Constitution and the Employment Equity Act (1998). It aims to employ a diverse staff complement and support staff development and training. Equal employment opportunities are offered to all employees.

The BCMDA's staff complement as of 30 June 2022 as per the employment equity principles in terms of **gender** is reflected as below:



**Performance Management**

The BCMDA views performance management as a positive management strategy rather than a punitive process, which ensures that employees feel comfortable being part of the process. The agency uses a scorecard to evaluate the performance of managers. Individual performance indicators are linked to the BCMDA’s strategic objectives. Objectives that reinforce the culture of governance and financial management among managers are also included.

The Agency rolled out performance management agreements/ workplans to all employees during 2021/22 FY. As part of the coaching and mentorship process, personal development plans (PDP’s) are included in the performance review process. In areas where there are gaps identified in terms of performance, the responsible officials are earmarked to receive training to improve their skills so that they can perform better in their functions.

**Skills Development**

The BCMDA is committed to staff training and development, ensuring professional delivery and a competitive edge. It aims to provide an integrated learning experience to its employees that will strengthen their commitment to the organisation’s values, enhance leadership capability and improve the BCMDA’s capacity to meet current and future business requirements. The BCMDA’s Learning Strategy is based on four pillars:

- Understanding the educational requirements of the organisation, based on competency assessments and pivotal training.
- Best practice learning design
- Timely and appropriate learning delivery.
- Assessment of the impact of learning interventions on overall company performance.

#### **Minimum Competency (Treasury regulations)**

BCMDA continually ensures that it complies with Treasury regulations and in this regard, it registered its Financial Management Interns as well as its Office Administrator (Finance) for Municipal Financial Management Program (MFMP) which seeks to capacitate Staff. All have completed the course through the University of Fort Hare and Wits University in 2021/22 FY.

#### **Employee Benefits**

The BCMDA participates in two retirement benefit schemes: Old Mutual Superfund Scheme and the Wealth port retirement scheme. Contributions of which are deducted through the payroll and paid directly into both schemes.

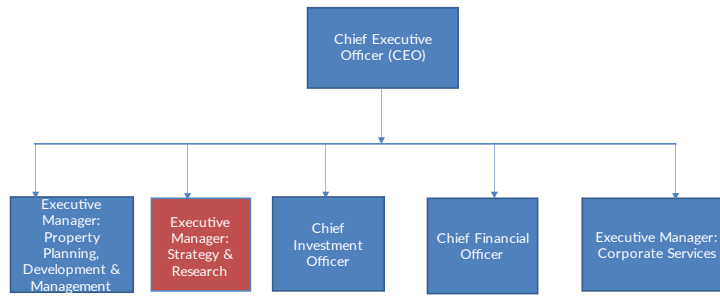
#### **HR/Payroll system procurement**

In terms of MSCOA compliance, the Agency had to procure a system that is aligned with mSCOA and the Agency's Financial system. This led to the Agency procuring the Sage 300 Payroll system that integrates with the Agency's Financial Modules

#### **Organizational Structure – Executive Team (2021/22 FY)**



EXECUTIVE MANAGEMENT post structure



## PART F: STATEMENT BY THE AUDIT AND RISK COMMITTEE

With regards to the Audit Committee (AC), the Agency shares or utilises the Audit Committee of the parent municipality. The Audit, Risk Committee consists of the members listed below. According to the terms of reference, the committee must meet at least four times a year.

During the year under review, seven meetings were held. The committee membership structure changed on 26 March 2021 with the shareholder's appointment of the new Board. The AC members are as follows:

Date	Mr Singa Ngqwala	Mr Suren Maharaj	Thobeka Maqwati-Naku	Ms Yondela Roboji
13 August 2021	Yes	Yes	Yes	Yes
10 November 2021	Yes	Yes	Yes	Resigned
14 December 2021	Yes	Yes	Yes	Resigned
21 January 2021	Yes	Yes	Yes	Resigned
23 February 2022	Yes	Yes	Apology	Resigned
18 May 2022	Yes	Yes	Yes	Resigned
27 May 2022	Apology	Yes	Yes	Resigned

### Roles and Responsibilities of the Audit Committee

- Reviewing BCMDA's internal controls and published financial reports for statutory compliance and against standards of best practice and recommending appropriate disclosure to the Board.
- The external and internal auditors attend these meetings, and have direct access to the Chairperson of the Committee and Chairperson of the Board;
- Reviewing reports from management and the internal and external auditors, to provide reasonable assurance that control procedures are in place and working as intended;
- Considering the appointment of both the internal and external auditors, the audit fee and any questions of resignation or dismissal of auditors;
- Reviewing the half-yearly and annual financial statements before submission to the Board, focusing particularly on any changes in accounting policies and practices.

### Risk Management

Risk management is an integral part of good governance. It is a process whereby

- There is a shared awareness and understanding within the organisation of the nature and extent of the risks it faces (both positive and negative risks); the categories and extent of those risks regarded as acceptable and the likelihood and potential impacts of the risk materialising.
- There is a regular and ongoing identification, evaluation, management, monitoring, recording and reporting of risks with a view of improving the organisation's ability to manage and reduce the

incidence or impact on the organisation of risks that do materialise. The Risk register is updated on a monthly basis.

- c. An appropriate assessment is made of the costs of implementation and operating a particular control relative to the benefit obtained in managing the related risk.
- d. The BCMDA's Board monitors risk through the Audit Committee, which ensures that there is an effective risk management process and system in place. The committee recommends risk strategies and policies that need to be set, implemented and monitored. The BCMDA Board is responsible for identifying, assessing and monitoring the risks presented by the Audit Committee.
- e. The BCMDA has a risk management strategy, which follows an enterprise-wide risk management system in which all identified risk areas are managed systematically and continuously on an on-going basis at departmental level. The risk register is treated as a working risk management document because risks are constantly recorded and managed. Management monitors and evaluates the implementation and efficiency of controls and actions to improve current controls in the risk register.
- f. The BCMDA submits its risk management reports to the Audit Committee. The committee assesses all risks affecting the BCMDA and makes recommendations to the Chief Executive Officer and the board on the general effectiveness of risk management processes in the BCMDA.
- g. Risk identification and assessment is an on-going process. The BCMDA conducted an annual strategic and operational risk assessment workshop. This process is supported by an on-going risk management process at departmental level; and all employees are required to take ownership of risks that fall within their respective areas of responsibilities.
- h. The Board and the Audit Committee will continue to monitor the implementation of the documents listed above to ensure that the organisation is proactive in addressing risks and strengthening its internal control environment. The following risks remain as BCMDA strategic risks:
  1. Inability to implement the Tourism Infrastructure Master Plan (TIM)
  2. Failure to create an enabling environment to foster economic development and attract new investment to the city
  3. Withdrawal of investors on Mega Projects
  4. Inability to promote investment
  5. Delays in project implementation
  6. Poor quality assurance of newly constructed property
  7. Identification of land parcels for future development
  8. Inability to capacitate local SMME's
  9. Lack of financial sustainability
  10. Inability to deliver on the mandate
  11. Cyber security attacks

12. Inability to act in the event of Disputes & Litigation
13. Non-Compliance with the POPI Act

### **Fraud awareness**

The Agency concentrates its efforts on preventing fraud, rather than responding to fraud. To achieve this objective a fraud Prevention Policy has been developed and the Fraud Hotline for Whistle Blowers is in place and currently shared with parent municipality, fraud risk assessment is conducted to ensure that all fraud risk are identified and mitigated. Internal audit reviews are conducted to ensure effectiveness on preventative controls, the emphasis is on proactive preventative techniques.

### **Risk management and information technology**

The ARC assessed the impact of risk management and information technology on its functions by:

- a. Reviewing the policies on risk assessment and risk management, including IT RISKS as these pertain to financial reporting and the going concern assessment, and found these to be adequate
- b. Considering and reviewing the findings and recommendations of the Internal Audit

### **Evaluation of Annual Financial Statements and Performance Information**

The Audit and Risk Committee has:

- a. Reviewed and discussed the annual financial statements to be included in the annual report, with the Auditor-General South Africa.
- b. Reviewed the information on pre-determined objectives to be included in the annual report and noted the report by the Auditor-General of South Africa.
- c. Reviewed the quality and timeliness of the financial information availed to the Audit and Risk Committee for the oversight purposes during the year. The Corporation's performance in terms of finances and pre-determined objectives was reported at each Audit and Risk Committee meeting.
- d. The Audit, Risk Committee believes the content and quality of quarterly reports prepared and issued by the Corporation during the year under review have been of a good standard and notes the continued improvement from the previous year.

### **Internal audit**

The Audit, Risk Committee reviewed the activities of the external internal audit function and has concluded:

- a. The function is effective, and there were no unjustified restrictions or limitations
- b. The internal audit reports were reviewed at quarterly meetings, including its annual work programme, coordination with the external auditors, the reports of significant investigations and management's responses to issues raised in these reports.

- c. In coordinating the assurance activities, the Audit, Risk Committee reviewed the plans and work outputs of the external and internal auditors concluded. It concluded that these activities adequately addressed the business's significant financial risks.

The external auditor has direct access to the Audit, Risk Committee chairperson and other members. The Audit, Risk Committee is also responsible for the assessment of the performance of the head of Internal Audit, and the internal audit function.

**Auditor-General of South Africa**

Considering the audit outcome, the Audit and Risk Committee interacted with the Auditor-General of South Africa during the planning, scoping and review of the statements and performance information before the submission and the post-audit.

We take note of the Auditor-General of South Africa's report and opinion and is satisfied with the outcome.



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Mr. Singa Nqwala

## **PARTG: DIRECTORS REPORT**

### **Directors Responsibilities and Approval**

The Agency's controlling entity is Buffalo City Metropolitan Municipality. The Directors are required by the Municipal Finance Management Act (Act 56 of 2003) and the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the 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 annual financial statements and were given unrestricted access to all financial records and related data.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the 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 Directors are 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The Directors have reviewed the entity's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Buffalo City Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Buffalo City Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity. The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the Board on 30 November 2022.

### **Incorporation**

Buffalo City Metropolitan Development Agency (BCMDA) has been operating since its incorporation on 20 April 2016. BCMM has for the past four financial years, supported the Agency financially as stipulated in the signed Service Delivery Agreement (SDA) which was reviewed in July 2019.

### **Review of activities**

Main business and operations during the year, the mandate of the Agency as approved by Council remained that of conceptualising, planning, and executing catalytic socio- economic development projects; serving as tourism agency of the parent municipality to acquire, own and manage land and buildings and / or rights to land and buildings necessary to enable it to achieve its aims and objectives.

### **Going concern**

The 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. The ability of the entity to continue as a going concern is dependent on several factors. The most significant of these is that the Directors continue to procure funding for the ongoing operations of the entity and that the service delivery agreement was reviewed and signed with the Municipality on 01 July 2019 and remains effective for the future operations of the Agency.

### **Subsequent events**

The Directors are aware of the suspension of the Chief Executive Officer (CEO) as at 1 November 2022 and subsequent dismissal of as 25 January 2023. The process and it's outcomes are sub judice. For the effective operations of the entity to continue uninterrupted an interim CEO was appointed.

### **Directors' interest in contracts**

The Directors have declared that they do not have any interests in the contracts of the agency.



### **Accounting policies**

The 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 as the prescribed accounting framework by National Treasury. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

### **Share capital / contributed capital**

There were no changes in the authorised or issued share capital of the entity during the year under review. The entity is wholly owned by the parent municipality, it is authorised to issue hundred (100) ordinary shares with no nominal or par value.

### **Board**

The Directors of the entity during the year, and to the date of this report are as listed below. The Board was appointed by Council, with effect from 01 September 2019:

Mr. Tembinkosi Bonakele

Mr. Chuma Sangqu

Ms. Mankomo Ulyth Pango

Ms Tobeka Buswana

Mrs Tandiwe Godongwana

Ms. Sibongile Boo

Mr. Barry Canning

Mr. Luncedo Njezula

### **Corporate governance**

The Board is committed to business integrity, transparency, and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practice. The entity confirms and acknowledges its responsibility to compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002.

Board of directors retains full control over the entity, its plans and strategy; acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency, and effective communication both internally and externally by the entity and is of a unitary structure comprising:

The Chairperson is a non-executive and independent director. The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

### **Audit and risk committee**

The chairperson of the audit committee is Mr S Ngqwala, who is an independent audit committee member. The committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Buffalo City Metropolitan Municipality (BCMM), as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive director appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

### **Internal audit**

The entity has outsourced its internal audit function to Lunika Chartered Accountants who has fulfilled these functions since the re-establishment of the entity. This is in compliance with the Municipal Finance Management Act, 2003.

### **Auditors**

The Auditor General of South Africa will continue in office for the next financial period.

### **Meetings**

Type of Committee	Number of meetings
Board	11
Governance Committee Meeting	6
Organisational Committee Meeting	9
Project Development & Investment	5
Audit and Risk Committee meeting	7

### **Fees**

Board Members	Total
Mr T Bonakele	R 306 500
Mr C Sangqu	R 311 819
Ms M Pango	R 331 500
Mrs T Godongwana	R 302 500
Mr B Canning	R 214 537
Mr L Njezula	R 351 500
Ms T Buswana	R 458 375

<b>Board Members</b>	<b>Total</b>
Ms S Booie	R 380 631
<b>Total for All Members</b>	<b>R 2 657 362</b>

## PART G: FINANCIAL INFORMATION

### 12. Statement of responsibility

The Directors are responsible for the preparation, integrity, and fair presentation of the financial statement of the entity. The annual financial statements presented in Part H 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 directors are responsible for the preparation of the other information in the integrated annual report and are responsible for both its accuracy and consistency with the financial statements. The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the entity will not be a going concern in the foreseeable future based on the forecast and available cash resources. Refer to the Directors' report in Part G with regard to the appropriateness of the going concern assumption for the preparation of the financial statements.

The BCMDA's executive management, internal audit unit, and the Audit and Risk Committee have reviewed and assessed the entity's integrated annual report for 2021/22 to ascertain whether minimum disclosure requirements were adhered terms of MFMA Circular 63 on Annual report requirements.




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Chief Financial Officer  
Mrs Vicky Ntsodo-Boyce




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Interim Chief Executive Officer  
Mr Mxolisi Sibam

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Chair of the Board  
Ms Nolitha Pietersen

## REPORT BY THE AUDITOR GENERAL

### Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on the Buffalo City Metropolitan Development Agency

#### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Buffalo City Metropolitan Development Agency set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Buffalo City Metropolitan Development Agency as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (the Companies Act).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### **Fruitless and wasteful expenditure**

7. As disclosed in note 36 to the financial statements, fruitless and wasteful expenditure of R387 000 incurred in the previous years was identified in the current year.

#### **Other matter**

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### **Unaudited disclosure notes**

9. In terms of section 125 (2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

#### **Responsibilities of the accounting officer for the financial statements**

10. The board of directors, which constitutes the accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

#### **Auditor-general's responsibilities for the audit of the financial statements**

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is

not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### Report on the audit of the annual performance report

#### Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected outcomes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipal entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected outcome presented in the municipal entity's annual performance report for the year ended 30 June 2022:

Outcomes	Pages in the annual performance report
Outcome 3 – a robust property market	x – x



17. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this outcome.

#### Other matter

19. I draw attention to the matter below.

#### Achievement of planned targets

20. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year.

### Report on the audit of compliance with legislation

#### Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislation are as follows:

#### Expenditure management

23. Reasonable steps were not taken to prevent irregular expenditure of R87,6 million disclosed in note 37 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.

#### Procurement and contract management

24. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year.

#### Other information

25. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and the selected outcome presented in the annual performance report that has been specifically reported in this auditor's report.
26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected outcome presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

#### Internal control deficiencies

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
30. The municipal entity continued to recognise and disclose irregular expenditure relating to non-

compliance and the inappropriate application of SCM regulations in the prior financial years.

### Other reports

31. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
32. An independent consultant investigated an allegation of financial misconduct at the request of the municipal entity, which covered the period 4 March 2021 to 13 May 2021. The investigation was concluded on 24 November 2021.
33. The board considered the report in August 2022 and commenced the process of implementing the recommendations.

East London

30 November 2022



*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected outcome and on the municipal entity’s compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting officer
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Buffalo City Metropolitan Development Agency to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipal entity to cease operating as a going concern



- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



**PART H: ANNUAL FINANCIAL STATEMENTS**



Buffalo City Metropolitan Development Agency  
(Registration number 2016/168330/30)  
Annual Financial Statements  
for the year ended 30 June 2022

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Municipal Entity
<b>Board of Directors</b>	<p>Mrs T Godongwana          Mr N Van Wyk (Interim CEO)          Mr B Nelana (CEO)          Ms B Sauli          Ms N Pieterse (Chairperson)          Mr S Toni          Ms A Kumbaca          Mr M Dilima          Mr M Sibam          Ms N Sakube - Ndevu          Mr N Van Wyk</p>
<b>Audit and Risk Committee</b>	<p>Mr S Ngqwala (Chairperson)          Mr S Maharaj          Mrs T Maqwathi-Naku</p>
<b>Registered office</b>	<p>10th Floor          Trust Centre          Oxford Street          East London          5201</p>
<b>Business address</b>	<p>Buffalo City Metropolitan Development Agency          12 Esplanade Road          Quigney          East London          5200</p>
<b>Postal address</b>	<p>PO Box 134          East London          5201</p>
<b>Controlling entity</b>	Buffalo City Metropolitan Municipality
<b>Bankers</b>	First National Bank Ltd
<b>Auditors</b>	Auditor General SA
<b>Company Secretary</b>	N Mpongoshe
<b>Company registration number</b>	2016/168330/30



# Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

## Index

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

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### Abbreviations used:

BCMM	Buffalo City Metropolitan Municipality
BCMDA	Buffalo City Metropolitan Development Agency
GRAP	Generally Recognised Accounting Practices
IFRS	International Financial Reporting Standards
SDA	Service Delivery Agreement
DFFE	Department of Forestry, Fisheries and Environment
MFMA	Municipal Finance Management Act

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Directors Responsibilities and Approval

---

The Directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the 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 annual financial statements and were given unrestricted access to all financial records and related data.

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the 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 Directors are 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2022 and were signed on its behalf by:

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**Mr N Van Wyk (Interim CEO)**

# Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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The Directors submit their report for the year ended 30 June 2022.

### 1. Incorporation

The Buffalo City Metropolitan Development Agency (BCMDA) has been operating since its incorporation on 20 April 2016. BCMM has, for the past five financial years, supported the Agency financially as stipulated in the signed Service Delivery Agreement (SDA) which was reviewed in July 2019. BCMM has, in the current financial year (2021/22), transferred the Agency's operational budget allocation in two half yearly tranches totalling R 48.4 million.

### 2. Review of activities

#### Main business and operations

During the year, the mandate of the Agency as approved by Council remained that of conceptualising, planning and executing catalytic socio-economic development projects; serving as tourism agency of the parent municipality to acquire, own and manage land and buildings and /or rights to land and buildings necessary to enable it to achieve its aims and objectives. In implementing its mandate, the vision is that of an innovative Agency that catalyses investment opportunities for a vibrant, integrated and inclusive City. The mission of the Agency is to build a vibrant, integrated, and inclusive City through promoting investment in property, tourism and socio-economic development for the benefit of its citizens.

### 3. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of 14 541 383 and that the entity's total assets exceed its liabilities by 14 541 383.

The 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.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Directors continue to procure funding for the ongoing operations for the entity and that the service delivery agreement was reviewed and signed with the municipality on 01 July 2019 and remains effective for the future operations of the Agency.

### 4. Subsequent events

The Board's term expired on 31 August 2022, wherein the parent municipality, BCMM appointed an Interim Board for a period of three (3) months commencing on 01 September 2022 until 30 November 2022. In addition, BCMDA's Accounting Officer was put on precautionary suspension with effect from 01 November 2022 for a period of three (3) months. The suspension of the CEO, Mr B Nelana led to the appointment of one of the Board Members, Mr N Van Wyk as the Interim Chief Executive Officer.

### 5. Directors' interest in contracts

The Directors have declared that they do not have any interests in the contracts of the Agency.

### 6. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 7. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review. The entity is wholly owned by BCMM, its parent municipality. It is authorised to issue hundred (100) ordinary shares with no nominal or par value.

### 8. Board Of Directors

The Directors of the entity during the year and to the date of this report are as listed below. The Board was appointed by Council for a period of three (3) years with effect from 01 September 2019 until 31 August 2022. An Interim Board was appointed by Council with effect from 01 September 2022.

Mr T Bonakele	Re-Appointed	Resigned Wednesday, 31 August 2022
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## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Directors' Report

Mr C Sangqu	Re - appointed	Resigned Wednesday, 31 August 2022
Ms M Pango	Re- Appointed	Resigned Wednesday, 31 August 2022
Mrs T Godongwana	Re- Appointed	Appointed Thursday, 01 September 2022
	Appointed	Appointed Thursday, 01 September 2022
Mr B Nelana (CEO)	Appointed	
Mr B Canning	Appointed	Resigned Wednesday, 31 August 2022
Mr L Njezula	Appointed	Resigned Wednesday, 31 August 2022
Ms T Buswana	Appointed	Resigned Wednesday, 31 August 2022
Ms S Booi	Appointed	Resigned Wednesday, 31 August 2022
Ms B Sauli	Shareholder Representative	Appointed Thursday, 01 July 2021
Ms N Pietersen	Appointed	Appointed Thursday, 01 September 2022
Mr S Toni	Appointed	Appointed Thursday, 01 September 2022
Ms A Kumbaca	Appointed	Appointed Thursday, 01 September 2022
Mr M Dilima	Appointed	Appointed Thursday, 01 September 2022
Mr M Sibam	Appointed	Appointed Thursday, 01 September 2022
Ms N Sakube - Ndevu	Appointed	Appointed Thursday, 01 September 2022
Mr N Van Wyk	Appointed	Appointed Thursday, 01 September 2022, resigned Tuesday, 01 November 2022
Mr N Van Wyk	Appointed	Appointed Thursday, 01 September 2022

#### 9. Company Secretary

The Company Secretary and Legal Services Manager of the entity is Ms N Mpongoshe of:

Business address

Buffalo City Metropolitan Development Agency  
12 Esplanade Road  
Quigney  
East London  
5200

#### 10. Corporate governance

##### General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The Board discusses the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

##### Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Directors' Report

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#### Chairperson and Chief Executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

#### Executive meetings

The Executive Committee have met on 10 separate occasions during the financial year and held three (3) Special Exco meetings.

Non-executive directors have access to all members of management of the entity.

#### Audit and risk committee

The Chairperson of the audit committee is Mr S Ngqwala, who is an independent audit committee member. The committee met 8 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Buffalo City Metropolitan Municipality (BCMM), as a parent municipality, must appoint members of the Audit Committee. BCMM has in line with section 166(6) of the MFMA established a single Audit Committee to service both the parent municipality and its entity (BCMDA). The Board is satisfied that the Audit Committee of the entity is properly constituted to fulfil its role and advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

#### Internal audit

The entity has outsourced its internal audit function to Ndluntsha Chartered Accountants who succeeded Lunika Chartered Accountants who was the entity's previous internal auditors. This is in compliance with the Municipal Finance Management Act, 2003.

#### 11. Controlling entity

The entity's controlling entity is Buffalo City Metropolitan Municipality .

#### 12. Bankers

In addition to the bank accounts held at First National Bank, the entity had a fixed deposit account with Nedbank in the period under review.

#### 13. Auditors

The Auditor General of South Africa will continue in office for the next financial period.

#### 14. Meetings

There were twelve (12) Board meetings including seven (7) Special Board meetings that were held during the period 01 July 2021 and 30 June 2022. In addition the Board had established sub-committees to assist in discharging its governance responsibilities. The sub-committees are the Organisation Committee (OC), Governance and Social Ethics Committee (GSEC), Project Development and Investment Committee (PDIC) and the Audit and Risk Committee (ARC), which is shared with the parent municipality.

The Organisational Committee met nine (9) times including five(5) Special OC meetings, Governance Committee met six (6) times including one(1) Special GSEC meeting, Project Development and Investment Committee met five (5) times including one(1) Special PDIC meeting and the Audit and Risk Committee met six (6) times including two(2) Special ARC meetings, during the period under review.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2022 and were signed on its behalf by:

# Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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Mr N Van Wyk (Interim CEO)

## **Buffalo City Metropolitan Development Agency**

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### **Company Secretary's Certification**

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#### **Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act**

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

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**N Mpongoshe**  
**Company Secretary**  
**BCMDA**



## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	10	62 387	47 969
Receivables from exchange transactions	11	41 207 309	9 434 305
VAT receivable	12	783 870	702 688
Prepayments	9	104 436	97 604
Cash and cash equivalents	13	20 433 336	19 328 830
		<b>62 591 338</b>	<b>29 611 396</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	1 531 722	1 810 340
Intangible assets	4	776 344	1 038 733
		<b>2 308 066</b>	<b>2 849 073</b>
<b>Total Assets</b>		<b>64 899 404</b>	<b>32 460 469</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	68 368	99 404
Payables from exchange transactions	7	25 129 340	7 273 877
Unspent conditional grants and receipts	15	9 179 802	2 305 268
Provisions	16	2 440 782	2 392 276
		<b>36 818 292</b>	<b>12 070 825</b>
<b>Non-Current Liabilities</b>			
Provisions	16	13 539 729	6 498 002
<b>Total Liabilities</b>		<b>50 358 021</b>	<b>18 568 827</b>
<b>Net Assets</b>		<b>14 541 383</b>	<b>13 891 642</b>
Share capital / contributed capital	14	-	-
Accumulated surplus		14 541 383	13 891 642
<b>Total Net Assets</b>		<b>14 541 383</b>	<b>13 891 642</b>

\* See Note 31

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Fees earned	42	6 657 534	6 798 546
Other income		143 487	189 402
Interest received - investment		721 782	488 136
Gain on disposal of assets		58 134	-
Inventories reversal		14 418	-
<b>Total revenue from exchange transactions</b>		<b>7 595 355</b>	<b>7 476 084</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	19	47 015 188	46 022 208
<b>Total revenue</b>	17	<b>54 610 543</b>	<b>53 498 292</b>
<b>Expenditure</b>			
Employee related costs	20	(23 448 816)	(26 475 174)
Remuneration of Directors	30	(2 657 361)	(1 936 260)
Depreciation and amortisation	21	(1 111 368)	(1 181 400)
Finance costs		(1)	(48)
Contracted services	24	(19 182 812)	(14 082 113)
Loss on disposal of assets		-	(2 819)
Inventories losses/write-downs		-	(12 737)
General Expenses	23	(7 560 441)	(7 404 043)
<b>Total expenditure</b>		<b>(53 960 799)</b>	<b>(51 094 594)</b>
<b>Surplus for the year</b>		<b>649 744</b>	<b>2 403 698</b>

\* See Note 31

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2020</b>	<b>11 487 944</b>	<b>11 487 944</b>
Changes in net assets		
Surplus for the year	2 403 698	2 403 698
Total changes	2 403 698	2 403 698
Opening balance as previously reported	14 045 343	14 045 343
Adjustments		
Correction of errors 31	(153 704)	(153 704)
<b>Balance at 01 July 2021- Restated</b>	<b>13 891 639</b>	<b>13 891 639</b>
Changes in net assets		
Surplus for the year	649 744	649 744
Total changes	649 744	649 744
<b>Balance at 30 June 2022</b>	<b>14 541 383</b>	<b>14 541 383</b>

\* See Note 31

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		53 889 722	44 434 110
Interest income		721 782	488 136
Other Income		(24 971 983)	3 366 985
		<u>29 639 521</u>	<u>48 289 231</u>
<b>Payments</b>			
Employee costs		(22 829 111)	(25 778 868)
Suppliers		(2 533 309)	(16 140 138)
Finance costs		(1)	(48)
Remuneration of Directors		(2 657 361)	(1 936 260)
		<u>(28 019 782)</u>	<u>(43 855 314)</u>
<b>Net cash flows from operating activities</b>	25	<b><u>1 619 739</u></b>	<b><u>4 433 917</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(376 246)	(850 309)
Proceeds from sale of property, plant and equipment	3	116 061	(1)
Purchase of other intangible assets	4	(255 048)	(387 504)
<b>Net cash flows from investing activities</b>		<b><u>(515 233)</u></b>	<b><u>(1 237 814)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 104 506</b>	<b>3 196 103</b>
Cash and cash equivalents at the beginning of the year		19 328 830	16 132 727
<b>Cash and cash equivalents at the end of the year</b>	13	<b><u>20 433 336</u></b>	<b><u>19 328 830</u></b>

The accounting policies on pages 18 to 40 and the notes on pages 41 to 65 form an integral part of the annual financial statements.

\* See Note 31

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Fees earned	4 439 875	3 821 392	<b>8 261 267</b>	6 657 534	<b>(1 603 733)</b>	N1
Other income	7 959 099	(6 605 870)	<b>1 353 229</b>	143 487	<b>(1 209 742)</b>	N2
Interest received - investment	467 483	246 163	<b>713 646</b>	721 782	<b>8 136</b>	N18
<b>Total revenue from exchange transactions</b>	<b>12 866 457</b>	<b>(2 538 315)</b>	<b>10 328 142</b>	<b>7 522 803</b>	<b>(2 805 339)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	104 998 858	63 311 547	<b>168 310 405</b>	47 015 188	<b>(121 295 217)</b>	N3
<b>Total revenue</b>	<b>117 865 315</b>	<b>60 773 232</b>	<b>178 638 547</b>	<b>54 537 991</b>	<b>(124 100 556)</b>	
<b>Expenditure</b>						
Personnel	(28 757 152)	(172 674)	<b>(28 929 826)</b>	(23 448 816)	<b>5 481 010</b>	N19
Remuneration of Directors	(1 849 699)	(1 489 525)	<b>(3 339 224)</b>	(2 657 361)	<b>681 863</b>	N4
Depreciation and amortisation	(994 811)	(145 912)	<b>(1 140 723)</b>	(1 111 368)	<b>29 355</b>	
Finance costs	(4 285)	-	<b>(4 285)</b>	(1)	<b>4 284</b>	N5
Contracted Services	(57 708 125)	(68 750 875)	<b>(126 459 000)</b>	(19 182 812)	<b>107 276 188</b>	N6
General Expenses	(28 551 243)	9 785 754	<b>(18 765 489)</b>	(7 560 441)	<b>11 205 048</b>	N7
<b>Total expenditure</b>	<b>(117 865 315)</b>	<b>(60 773 232)</b>	<b>(178 638 547)</b>	<b>(53 960 799)</b>	<b>124 677 748</b>	
<b>Operating surplus</b>	-	-	-	<b>577 192</b>	<b>577 192</b>	
Gain on disposal of assets and liabilities	-	-	-	58 134	<b>58 134</b>	
Inventories losses/write-downs	-	-	-	14 418	<b>14 418</b>	
	-	-	-	<b>72 552</b>	<b>72 552</b>	
<b>Surplus before taxation</b>	-	-	-	<b>649 744</b>	<b>649 744</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>649 744</b>	<b>649 744</b>	

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	60 706	-	<b>60 706</b>	62 387	<b>1 681</b>	
Receivables from exchange transactions	3 311 408	-	<b>3 311 408</b>	41 207 309	<b>37 895 901</b>	N8
VAT receivable	-	-	-	783 870	<b>783 870</b>	N9
Prepayments	-	-	-	104 436	<b>104 436</b>	N10
Cash and cash equivalents	5 279 938	970 000	<b>6 249 938</b>	20 433 336	<b>14 183 398</b>	N11
	<b>8 652 052</b>	<b>970 000</b>	<b>9 622 052</b>	<b>62 591 338</b>	<b>52 969 286</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	1 198 011	-	<b>1 198 011</b>	1 531 722	<b>333 711</b>	N12
Intangible assets	873 386	-	<b>873 386</b>	776 344	<b>(97 042)</b>	N13
	<b>2 071 397</b>	-	<b>2 071 397</b>	<b>2 308 066</b>	<b>236 669</b>	
<b>Total Assets</b>	<b>10 723 449</b>	<b>970 000</b>	<b>11 693 449</b>	<b>64 899 404</b>	<b>53 205 955</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Operating lease liability	-	-	-	68 368	<b>68 368</b>	N10
Payables from exchange transactions	5 541 941	-	<b>5 541 941</b>	25 129 337	<b>19 587 396</b>	N14
Unspent conditional grants and receipts	-	-	-	9 179 802	<b>9 179 802</b>	N15
Provisions	1 794 193	(352 193)	<b>1 442 000</b>	2 440 782	<b>998 782</b>	N16
	<b>7 336 134</b>	<b>(352 193)</b>	<b>6 983 941</b>	<b>36 818 289</b>	<b>29 834 348</b>	
<b>Non-Current Liabilities</b>						
Provisions	-	-	-	13 539 728	<b>13 539 728</b>	N17
<b>Total Liabilities</b>	<b>7 336 134</b>	<b>(352 193)</b>	<b>6 983 941</b>	<b>50 358 017</b>	<b>43 374 076</b>	
<b>Net Assets</b>	<b>3 387 315</b>	<b>1 322 193</b>	<b>4 709 508</b>	<b>14 541 387</b>	<b>9 831 879</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	3 387 315	1 322 193	<b>4 709 508</b>	14 541 387	<b>9 831 879</b>	

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	106 198 858	63 311 142	<b>169 510 000</b>	53 889 722	<b>(115 620 278)</b>	N3
Interest income	467 482	246 164	<b>713 646</b>	721 782	<b>8 136</b>	N18
Other income	12 398 974	(2 784 974)	<b>9 614 000</b>	(24 971 983)	<b>(34 585 983)</b>	N2
	<b>119 065 314</b>	<b>60 772 332</b>	<b>179 837 646</b>	<b>29 639 521</b>	<b>(150 198 125)</b>	
<b>Payments</b>						
Employee costs	(28 757 152)	2 770 786	<b>(25 986 366)</b>	(22 829 111)	<b>3 157 255</b>	N19
Suppliers	(85 910 149)	(62 069 261)	<b>(147 979 410)</b>	(2 533 309)	<b>145 446 101</b>	N20
Finance costs	(4 285)	-	<b>(4 285)</b>	(1)	<b>4 284</b>	
Remuneration of Directors	(1 849 699)	(1 489 525)	<b>(3 339 224)</b>	(2 657 361)	<b>681 863</b>	N4
	<b>(116 521 285)</b>	<b>(60 788 000)</b>	<b>(177 309 285)</b>	<b>(28 019 782)</b>	<b>149 289 503</b>	
<b>Net cash flows from operating activities</b>	<b>2 544 029</b>	<b>(15 668)</b>	<b>2 528 361</b>	<b>1 619 739</b>	<b>(908 622)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(500 000)	-	<b>(500 000)</b>	(376 246)	<b>123 754</b>	N12
Proceeds from sale of property, plant and equipment	-	-	-	116 061	<b>116 061</b>	N12
Purchase of other intangible assets	(700 000)	-	<b>(700 000)</b>	(255 048)	<b>444 952</b>	N13
<b>Net cash flows from investing activities</b>	<b>(1 200 000)</b>	<b>-</b>	<b>(1 200 000)</b>	<b>(515 233)</b>	<b>684 767</b>	
<b>Cash flows from financing activities</b>						
Repayment of Borrowings	(1 343 891)	14 891	<b>(1 329 000)</b>	-	<b>1 329 000</b>	N21
Net increase/(decrease) in cash and cash equivalents	138	(777)	<b>(639)</b>	1 104 506	<b>1 105 145</b>	
Cash and cash equivalents at the beginning of the year	-	-	-	19 328 830	<b>19 328 830</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>138</b>	<b>(777)</b>	<b>(639)</b>	<b>20 433 336</b>	<b>20 433 975</b>	



## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

The explained variances below are those when compared to the final budgeted amount exceed 10%.

N1- There is a variance of -46% on fees earned, due to 8% billed on the two recreational projects.

N2 - There is a variance of 89% on other income. The development levy that was budgeted for included in other income was not received during the financial year as the development agreement which upon conclusion will give rise to these fees has not been concluded.

N3 - Government grants and subsidies variance is -62%. This is as a result of the application of the standard on principal agent relationships, wherein BCMDA does not recognise any assets, income and expenditure in relation to the two recreational projects.

N4 - The variance of 21% is due to the fact that not all Board activities that were planned for the financial year were undertaken. This is due to other business pressures that had to be prioritised which include the Organisational Design process which was undertaken and the prioritisation of recruitment of Executive Managers positions which were coming to an end during the 2021/22 financial year and also filling of new ones as identified as priority in the new Organisational Structure.

N5 - There were no finance costs incurred during the financial year.

N6 - The variance mainly is due to expenditure relating to the recreational projects that has not been recognised. In addition, the Advisory Note that was issued by National Treasury had a negative impact on the procurement by the Agency. Even though an exemption was granted for the Agency to proceed with its procurement plan, time lost on procurement could not be recovered.

N7 - General expenses line item was negatively impacted by the Advisory Note as mentioned in the preceding note.

N8 - The variance is as a result of outstanding invoices that relate to recreational projects that were billed to the City during the financial year. 71% of the outstanding invoices were subsequently settled by the City.

N9 - The 100% variance is due to the fact that VAT is not separately budgeted for and the amount reflecting is based on VAT returns submitted to SARS, which had not been settled by year-end. Refer to note on annual financial statements for further details.

N10 - The prepayment is as a result of a rental invoice that was paid in June, relating to July 2022. The error was made mainly due to the fact that all payments are processed on the last day of the month and since rent for office space was due on 01 July, it was therefore paid.

N11 - These are cash balances at year-end. The variance is high because of approximately R9 million that relates to unspent grants, which is included in cash and cash equivalent.

N12 - Depreciation was based on planned acquisitions that would have taken place during the financial year. Additions were less than anticipated and therefore had an impact on depreciation and the related carrying amounts.

N13 - The cost of intangible assets procured was less than budgeted for due to competitive procurement processes and this affected the actual carrying amount for intangible assets.

N14 - Payables from exchange is over 100% due to the invoices received from contractors of the two recreational projects (Court Crescent and Water World). Included in the balance is staff related payables, see note for details.

N15 - There is a 100% variance because it was not anticipated that the funds will be unspent by the end of the financial year.

N16 - The variance is as a result of the performance bonus provision for the previous financial year. The performance bonus payout for the 2020/21 financial year was approved by Board in July 2022.

N17 - The provision relates to retention monies that will be due and payable after 12 months from completion of the two recreational projects.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

N18 - More interest was earned than was anticipated.

N19 - The budget anticipated the payments that will be made to the employees that were to be recruited during the financial year. Delays on recruitment processes negatively impacted the payments made to employees line item.

N20 - There is a huge variance on payments to suppliers. This is as a result of the exclusion of expenditure incurred on the recreational projects, which is in accordance with the accounting standards.

N21 - This is a misclassification in the budget as the line item relates to repayments of lease liabilities.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

Figures in Rand	Note(s)	2022	2021
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#### 1. Presentation of Annual Financial Statements

The 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 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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

##### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The amounts herein are therefore rounded off to the nearest Rand.

##### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

##### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

##### Trade receivables

The entity assesses its 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 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.

##### 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. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets.

##### 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 16 - Provisions.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.3 Significant judgements and sources of estimation uncertainty (continued)

##### 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 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 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 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 entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

##### Useful lives of property, plant and equipment and other assets

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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#### 1.4 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Useful life
Furniture and fixtures	Straight-line	6 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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. 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.

#### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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 entity; and
- the cost or fair value of the asset can be measured reliably.

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#### 1.5 Intangible assets (continued)

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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.

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

Item	Depreciation method	Useful life
Computer software, other	Straight-line	3 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

#### 1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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#### 1.6 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.



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#### 1.6 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Fixed term deposits	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value
Receivables	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at fair value

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#### 1.6 Financial instruments (continued)

##### Initial recognition

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

The entity recognises financial assets using trade date accounting.

##### 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.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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#### 1.6 Financial instruments (continued)

##### 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.
- Financial instruments at 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 entity 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, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

##### Reclassification

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

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

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

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

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

##### Gains and losses

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

For financial assets and financial liabilities measured at amortised cost or 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:

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#### 1.6 Financial instruments (continued)

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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#### 1.6 Financial instruments (continued)

##### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### 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 — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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#### 1.6 Financial instruments (continued)

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 surplus or deficit. 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).

#### 1.7 Statutory receivables

##### Identification

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

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

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

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

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

##### Recognition

The entity recognises statutory receivables as follows:

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

##### Initial measurement

The entity initially measures statutory receivables at their transaction amount.

##### Subsequent measurement

The 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 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 (Taxes and transfers), whichever is applicable.

##### Other charges

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#### 1.7 Statutory receivables (continued)

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

The 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 entity considers, as a minimum, the following indicators:

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

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

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

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

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

#### Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.



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#### 1.8 Tax

##### Current tax assets and liabilities

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

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

##### Deferred tax assets and liabilities

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

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

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

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

##### Tax expenses

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

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

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

#### 1.9 Leases

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

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

##### Operating leases - lessor

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

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

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

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

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

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#### 1.9 Leases (continued)

##### 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.

#### 1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

Current replacement cost is the cost the 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 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.

#### 1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

#### 1.12 Impairment of 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.

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#### 1.12 Leases (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

#### 1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

#### 1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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#### 1.14 Employee benefits (continued)

##### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

##### Post-employment benefits

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

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

##### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which 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.

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

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

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

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#### 1.15 Provisions and contingencies

Provisions are recognised when:

- the 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 is a pre-tax rate that 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 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.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

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#### 1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

#### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### 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 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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### Interest, royalties and dividends

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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#### 1.18 Revenue from non-exchange transactions

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

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

Control of an asset 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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.



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#### 1.18 Revenue from non-exchange transactions (continued)

##### 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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### 1.19 Investment income

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

#### 1.20 Borrowing costs

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

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

#### 1.21 Accounting by principals and agents

##### Identification

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

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

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

##### Identifying whether an entity is a principal or an agent

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

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

##### Binding arrangement

The 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.

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#### 1.21 Accounting by principals and agents (continued)

##### Assessing which entity benefits from the transactions with third parties

When the 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 entity concludes that it is not the agent, then it is the principal in the transactions.

The 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 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 entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

##### Recognition

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

#### 1.22 Comparative figures

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

#### 1.23 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

#### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA in relation to a municipal entity means:

Expenditure incurred by a municipal entity in contravention of, or that is not in accordance with a requirement of the MFA, and which has not been condoned in terms of section 170 of the MFMA; Expenditure incurred by a municipal entity in contravention of, or that is not in accordance with a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; Expenditure incurred in contravention of, or that is not in accordance with a requirement of the Supply Chain Management Policy of that municipal entity or Municipal SCM regulations which has not been condoned in terms of such policy.

Upon discovery or identification of irregular expenditure that was incurred, the Board of Directors has a responsibility to report in writing to the Mayor and Municipal Manager of the parent municipality and the Auditor General, particulars of the expenditure and steps taken to recover and prevent recurrence of the expenditure.

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#### 1.24 Irregular expenditure (continued)

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 Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the Board has the authority to investigate the irregular expenditure and write it off based on the outcome of the investigation. The write-off of such irregular expenditure should be reported to Council, the Executive Mayor and the Municipal Manager of the parent municipality.

#### 1.25 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 entity'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. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Even though the standard is applicable in the current financial year, the required disclosure requirements are not applicable to the Agency. Management will continue to assess its applicability in future financial years.

#### 1.26 Budget information

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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e 01 July 2021 to 30 June 2022. The budget information is therefore on a comparable basis to the actual amounts.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

#### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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#### 1.27 Related parties (continued)

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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

The 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.

#### 1.29 Value Added Tax

Buffalo City Metropolitan development Agency is a registered VAT vendor in terms of the VAT Act with effect from 01 July 2016. Revenue, expenses and assets are recognised net of the amount of VAT except where VAT incurred on a purchase of asset or services is not recoverable from taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

The Agency accounts for VAT on an invoice or accrual basis.

## Buffalo City Metropolitan Development Agency

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#### 2. New standards and interpretations

##### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods:

##### **Guideline: Guideline on the Application of Materiality to Financial Statements**

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

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

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time in the 2022/2023 annual financial statements.

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

##### **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 not yet set by the Minister of Finance.

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

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

##### **iGRAP 21: The Effect of Past Decisions on Materiality**

## Buffalo City Metropolitan Development Agency

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#### 2. New standards and interpretations (continued)

##### Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2022/2023 01 April 2023.

It is unlikely that the interpretation will have a material impact on the entity's annual financial statements.

##### GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

##### Materiality and aggregation

The amendments clarify that:

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

##### Statement of financial position and statement of financial performance

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

##### Notes structure

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

##### Disclosure of accounting policies

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

An entity applies judgement based on past experience and current facts and circumstances.

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

## Buffalo City Metropolitan Development Agency

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### Notes to the Annual Financial Statements

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#### 2. New standards and interpretations (continued)

The entity expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

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

#### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

##### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

##### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

The entity does not envisage the adoption of the interpretation until such time as it becomes applicable to the entity's operations.

It is unlikely that the interpretation will have a material impact on the entity's annual financial statements.



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## Notes to the Annual Financial Statements

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### 3. Property, plant and equipment

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 541 815	(611 575)	930 240	1 541 815	(344 621)	1 197 194
IT equipment	1 565 438	(963 956)	601 482	1 347 664	(734 518)	613 146
<b>Total</b>	<b>3 107 253</b>	<b>(1 575 531)</b>	<b>1 531 722</b>	<b>2 889 479</b>	<b>(1 079 139)</b>	<b>1 810 340</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation loss	Total
Furniture and fixtures	1 197 194	-	-	(263 949)	930 240
IT equipment	613 146	376 246	(57 927)	(329 983)	601 482
<b>Total</b>	<b>1 810 340</b>	<b>376 246</b>	<b>(57 927)</b>	<b>(593 932)</b>	<b>1 531 722</b>

### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 191 210	238 654	(580)	(232 090)	1 197 194
IT equipment	192 912	611 655	(2 238)	(189 183)	613 146
<b>Total</b>	<b>1 384 122</b>	<b>850 309</b>	<b>(2 818)</b>	<b>(421 273)</b>	<b>1 810 340</b>

### Pledged as security

None of the above property, plant and equipment has been pledged as security.

## Buffalo City Metropolitan Development Agency

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#### 3. Property, plant and equipment (continued)

##### Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Furniture and fixtures	Straight-line	6 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3 years

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 Development Agency

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## Notes to the Annual Financial Statements

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### 4. Intangible assets

	2022		2021		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	(3 880 999)	776 344	4 402 296	(3 363 563)	1 038 733

### Reconciliation of intangible assets - 2022

Computer software, other

Opening balance	Additions	Amortisation	Total
1 038 733	255 048	(517 437)	776 344

### Reconciliation of intangible assets - 2021

Computer software, other

Opening balance	Additions	Amortisation	Total
1 411 356	387 504	(760 127)	1 038 733

### Pledged as security

None of the above intangible assets are pledged as security.

## Buffalo City Metropolitan Development Agency

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#### 5. Deferred tax

As indicated in the accounting policy notes, deferred tax is accounted for in line with IAS 12. Management made an annual assessment and judgement on the recognition of deferred tax in the current year. The decision was that since BCMDA is still heavily dependent on grant income, which is exempt for Income Tax purposes, with an assessed loss balance, therefore recognition of deferred tax in the current period would not necessarily be in line with the Accounting Standards. IAS 12 requires that there should be probability of the agency 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. Therefore, they have been offset in the statement of financial position as follows:

#### Unrecognised deferred tax asset

Deductible temporary differences not recognised as deferred tax assets	506 858	241 491
Unused tax losses not recognised as deferred tax assets	42 433 472	42 206 047
	<b>42 940 330</b>	<b>42 447 538</b>

## Buffalo City Metropolitan Development Agency

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### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Operating lease asset (liability)</b>		
Non-current assets	-	-
Current liabilities	(68 368)	(99 404)
	<b>(68 368)</b>	<b>(99 404)</b>

The Agency entered into lease agreements for its two multifunctional printers and office space. GRAP 3 requires straightlining of the lease payments over the duration of the lease term. The lease for the office space has an escalation clause of 7% per annum. The above operating lease accrual is therefore as a result of adhering with the standard.

#### 7. Payables from exchange transactions

Trade payables	23 186 084	5 663 370
Board Claims Payable	17 304	-
Staff Related Payables	1 925 952	1 610 507
	<b>25 129 340</b>	<b>7 273 877</b>

The amount is made up of amounts due to service providers that were not paid by 30 June 2022. The majority of the unpaid invoices relate to contractors invoices received towards the end of June for the implementation of Water World and Court Crescent. Staff related payables is mainly statutory deduction, leave accrual and staff claims. In addition, included in staff related payables is the 13th cheque accrual which is a result of the approval by Board of the Amended Remuneration Policy in March 2022. All statutory payments were paid by the 7th of July 2022.

#### 8. Employee benefit obligations

##### Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. BCMDA has during the financial year made contributions to a Defined Contribution Plan, wherein the fixed contributions are paid on a monthly basis to the fund. The entity is under no obligation to cover any unfunded benefits. kindly refer to note 41 for the amounts paid to the fund.

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

The amount recognised as an expense for defined contribution plans is	1 791 473	1 747 649
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#### 9. Prepayments

The prepayment relates to office space rental invoice that was received in June, however dated 01 July 2022. The invoice was erroneously accounted for in June and paid at 30 June 2022.

Prepayments	104 436	97 604
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#### 10. Inventories

Consumable stores	62 387	47 969
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##### Inventory Reconciliation

Opening Balance	47 969	60 706
Procured during the year	129 967	139 242
Consumed during the year	(115 549)	(151 979)
	<b>62 387</b>	<b>47 969</b>

Included in inventory are items that were held in stock at the end of the financial year.

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### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Receivables from exchange transactions</b>		
Interest Receivable	154 968	-
Project Management Fee Receivable	2 323 546	685 745
Sundry Debtors	2 082 780	176 760
BCMM Receivables - Construction	36 646 015	8 571 800
	<b>41 207 309</b>	<b>9 434 305</b>
<b>Total receivables from exchange transactions</b>	<b>41 207 309</b>	<b>9 434 305</b>

Receivables from exchange transactions are made up of Project management fees of R2.3 million in relation to Water World and Court Crescent projects. Further there are BCMM receivables of R36.6 million relating to invoices billed to the BCMM based on the invoices received from contractors. BCMM has subsequently paid R27.2 million in relation the above - mentioed debt. Included in sundry debtors is an amount of R1.7 million, which was paid by mistake to one contractor instead of the other. This amount has also been recovered by the Agency.

### 12. VAT receivable

VAT	783 870	702 688
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The Agency is registered VAT vendor and accounts for VAT on an accrual basis. The Agency has, for the current financial year submitted all VAT returns to SARS. All amounts that were due to SARS were paid timeously.

## Buffalo City Metropolitan Development Agency

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### Notes to the Annual Financial Statements

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#### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 390	1 637
Bank balances	17 229 946	19 327 193
Short-term deposits	3 200 000	-
	<b>20 433 336</b>	<b>19 328 830</b>

#### The agency had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - Public Sector Cheque Account - 620-9871-7899	1 381 147	6 659 766	1 434 349	1 381 147	6 659 766	1 434 348
First National Bank - Commercial Money market Account - 620-9871-9358	4 806 233	10 029 466	10 804 827	4 806 233	10 029 466	10 804 827
First National Bank- DEA Waste Management Public Sector Cheque Account - 627-4180-3177	-	68 586	3 892 062	-	68 586	3 892 062
First National Bank - Public Sector Cheque Account - 629-0192-1983	11 042 567	2 569 375	-	11 042 567	2 569 375	-
Cash on hand	-	-	-	3 390	1 637	1 489
Nedbank - Fixed Deposit - 03788-1167637-000001	3 200 000	-	-	3 200 000	-	-
<b>Total</b>	<b>20 429 947</b>	<b>19 327 193</b>	<b>16 131 238</b>	<b>20 433 337</b>	<b>19 328 830</b>	<b>16 132 726</b>

The difference between the bank statement balances and cash book balances is as a result of cash on hand at the end of each of the financial years. The short term deposit relates to a 12 months fixed deposit investment account held with Nedbank, which matured in July 2022.

#### 14. Share capital / contributed capital

The Agency is authorised to issue no more than 100 (one hundred) ordinary shares with no nominal or par value.

#### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

DEFF Waste Management Project	3 019	71 029
NDPG - Integrated Waste Management Grant	9 176 783	2 234 239
	<b>9 179 802</b>	<b>2 305 268</b>

#### Movement during the year

Balance at the beginning of the year	2 305 268	3 893 366
Additions during the year	12 713 185	4 312 692
Income recognition during the year	(5 838 651)	(5 900 790)
	<b>9 179 802</b>	<b>2 305 268</b>



## Buffalo City Metropolitan Development Agency

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### Notes to the Annual Financial Statements

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#### 15. Unspent conditional grants and receipts (continued)

The Agency was appointed by the Department of Environmental Affairs Forestry and Fisheries (now DFFE) as an implementing agent of the Waste Management project in November 2017. Approved funding was R14 million, which was received and the project was concluded in June 2021. In addition, during the 2020/21 financial year, the Agency received an amount of R2.5 million for the project of implementation of the Duncan Village Buy Back Centre and Integrated Waste Management on behalf of BCMM. During the 2021/22 an additional R12.5 million was received in line with the business plan of the project. Since the funds are received through BCMM, they are deemed a taxable supply for VAT purposes. Amounts disclosed are therefore net of VAT. Refer to note 19 for the reconciliation.

#### 16. Provisions

##### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Provisions- Retentions	6 498 002	7 041 727	-	13 539 729
Provision -EL IDZ Defects	255 754	-	(255 754)	-
Staff bonus	2 136 522	986 305	(682 045)	2 440 782
	<b>8 890 278</b>	<b>8 028 032</b>	<b>(937 799)</b>	<b>15 980 511</b>

##### Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Provisions - Retention	832 733	5 665 269	6 498 002
Provision - EL IDZ Defects	255 754	-	255 754
Staff bonus	1 181 938	954 584	2 136 522
	<b>2 270 425</b>	<b>6 619 853</b>	<b>8 890 278</b>
Non-current liabilities		13 539 729	6 498 002
Current liabilities		2 440 782	2 392 276
		<b>15 980 511</b>	<b>8 890 278</b>

The retention provision represents the monies withheld from contractors invoices for the construction of Water World and Court Crescent recreational parks. These monies become due and payable a period over 12 months after the projects have been concluded. Anticipated completion date is August 2022.

The performance bonus provision represents management's best estimate of the entity's constructive obligation at year-end. In the previous years, the Board had resolved to pay performance bonus to staff that have met the requirements as agreed upon in the signed performance agreements in relation to the 2019/20 financial year.

The provision is based on an estimate made by management in its 2021/22 and 2022/23 budgets respectively. It is worth noting that the Board subsequently resolved to approve the staff performance bonus for all staff below the Executives. Discussions are still in progress for the Executives' performance bonus for the 2020/21 financial year performance. is yet to deliberate on the 2020/21 staff performance, the provision of which is included in the 2021/22 financial figures indicated above.

The provision for the ELIDZ defects has since been reversed since the Agency received the final invoice from EL IDZ and was settled by BCMDA during the 2021/22 financial year.

## Buffalo City Metropolitan Development Agency

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<b>17. Revenue</b>		
Fees earned	6 657 534	6 798 546
Gain on disposal of assets	58 134	-
Inventory reversal	14 418	-
Other income	143 487	189 402
Interest received - investment	721 782	488 136
Transfer revenue: Government grants & subsidies	47 015 188	46 022 208
	<b>54 610 543</b>	<b>53 498 292</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Fees earned	6 657 534	6 798 546
Other income	143 487	189 402
Interest received - investment	721 782	488 136
	<b>7 522 803</b>	<b>7 476 084</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Transfer revenue: Government grants & subsidies	47 015 188	46 022 208
	<b>47 015 188</b>	<b>46 022 208</b>
<b>18. Other revenue</b>		
Fees earned	6 657 534	6 798 546
Other Income	143 487	189 402
	<b>6 801 021</b>	<b>6 987 948</b>

Included in other revenue is the project management fees of R6.6 million and other income of R0.14 million.

## Buffalo City Metropolitan Development Agency

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#### 19. Government grants & subsidies

##### Operating grants

Buffalo City Metropolitan Municipality	42 146 535	40 139 557
LG SETA Grant	38 094	41 662
DEFF - Waste Management Conditional Grant (now DFFE)	68 639	5 840 989
Neighbourhood Development Programme Grant	4 403 242	-
Public Employment Programme	358 678	-
	<b>47 015 188</b>	<b>46 022 208</b>

##### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	4 471 798	5 840 989
Unconditional grants received	42 543 307	40 181 219
	<b>47 015 105</b>	<b>46 022 208</b>

##### DEFF Conditional Grants

Balance unspent at beginning of year	71 029	3 893 366
Current-year receipts	629	2 078 452
Conditions met - transferred to revenue	(68 639)	(5 900 789)
	<b>3 019</b>	<b>71 029</b>

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

##### NDPG Grant

Balance unspent at beginning of year	2 234 239	-
Current-year receipts	12 712 473	2 234 239
Conditions met - transferred to revenue	(4 556 863)	-
Funds paid back to BCMM	(1 213 066)	-
	<b>9 176 783</b>	<b>2 234 239</b>

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

## Buffalo City Metropolitan Development Agency

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### Notes to the Annual Financial Statements

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<b>20. Employee related costs</b>		
<b>Other employees</b>		
Basic	11 792 721	15 221 572
Bonus	558 968	544 024
UIF	50 135	87 008
SDL	204 624	187 352
13th Cheques	154 029	-
Car allowance	110 000	120 000
Housing benefits and allowances	48 000	48 000
Pension contributions	1 058 284	1 032 000
Leave pay provision	672 793	604 388
	<b>14 649 554</b>	<b>17 844 344</b>
<b>Remuneration of Executive Management</b>		
<b>Remuneration of Chief Executive Officer - Appointed 01 October 2017</b>		
Annual Remuneration	2 389 191	2 297 299
Performance Bonuses	131 274	126 225
Contributions to UIF, Medical and Pension Funds	238 419	229 018
	<b>2 758 884</b>	<b>2 652 542</b>
<b>Remuneration of Chief Financial Officer- Appointed 20 April 2016</b>		
Annual Remuneration	1 389 479	1 543 201
Performance Bonuses	86 752	83 416
Contributions to UIF, Medical and Pension Funds	145 092	126 937
	<b>1 621 323</b>	<b>1 753 554</b>
<b>Corporate and human resources (corporate services)- Appointed 01 June 2016</b>		
Annual Remuneration	1 387 496	1 311 740
Performance Bonuses	74 972	71 484
Contributions to UIF, Medical and Pension Funds	114 070	119 762
	<b>1 576 538</b>	<b>1 502 986</b>
<b>Development Facilitation</b>		
Annual Remuneration	1 413 269	1 358 913
Performance Bonuses	77 652	74 666
Contributions to UIF, Medical and Pension Funds	141 899	136 211
	<b>1 632 820</b>	<b>1 569 790</b>
<b>Company Secretary &amp; Legal Service Manager</b>		
Annual Remuneration	1 034 680	996 792
Performance Bonuses	56 686	54 769
Contributions to UIF, Medical and Pension Funds	104 160	100 397
13th Cheque	14 171	-
	<b>1 209 697</b>	<b>1 151 958</b>
<b>Total Remuneration</b>	<b>23 448 816</b>	<b>26 475 174</b>

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>21. Depreciation and amortisation</b>		
Property, plant and equipment	593 932	421 273
Intangible assets	517 436	760 127
	<b>1 111 368</b>	<b>1 181 400</b>
<b>22. Auditors' remuneration</b>		
Fees	973 113	804 048
<b>23. General expenses</b>		
Advertising	215 385	87 137
Auditors remuneration	973 113	804 048
Bank charges	15 453	11 665
Consumable Materials and Supplies	1 724 395	514 897
Delivery expenses	-	926
Bursaries	214 099	110 426
Fines and penalties	-	47 286
Insurance	154 165	26 063
Catering	153 713	29 789
Workmen's Compensation	116 944	118 632
Software expenses - Licences	1 082 142	993 854
Marketing	100 395	15 633
Promotions and sponsorships	377 183	246 247
Medical expenses	-	203 355
Fuel and oil	1 452	-
Printing and stationery	11 661	39 748
Protective clothing	123 575	420 125
Project maintenance costs	-	412 500
Repairs and maintenance	8 870	1 349 627
Employee Wellness	95 342	91 808
Subscriptions and membership fees	17 707	16 421
Telephone and fax	283 695	287 787
Transport Expenses	6 500	30 699
Training & Conferences	295 902	421 561
Travel, Accommodation & Subsistence- local	722 872	471 460
Utilities	76 409	44 751
Audit Committee Remuneration	500 680	393 060
Placement Fees	19 154	13 000
Refreshments	52 198	41 558
Venue expenses	217 437	159 980
	<b>7 560 441</b>	<b>7 404 043</b>

There is an overall 24% increase on general expenditure when compared to the previous financial year. The increase is mainly due to increased advertising costs emanating from publishing or advertising of vacancies on the major advertising companies. Increase external audit fees as a result of scope increase for the 2020/21 year-end audit. In addition travelling costs have increase when compared to the prior as the COVID 19 restrictions were lifted during the 2021/22 financial year. Travelling includes Board and staff travel and accommodation costs. Catering and venue hire expenses increased as more physically attended meetings were held following the lifting of COVID 19 restrictions.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>24. Contracted services</b>		
<b>Presented previously</b>		
Information Technology Services	645 424	172 162
Security Services	2 662 437	2 610 261
Operating Leases	1 070 674	1 080 552
Specialist Services	661 719	374 268
Construction Costs Retention	7 961 926	4 926 322
<b>Consultants and Professional Services</b>		
Business and Advisory	6 180 632	4 830 548
Legal Cost	-	88 000
	<b>19 182 812</b>	<b>14 082 113</b>
<b>25. Cash generated from operations</b>		
Surplus	649 744	2 403 698
<b>Adjustments for:</b>		
Depreciation and amortisation	1 111 368	1 181 400
Gain/(Loss) on sale of assets	(58 134)	2 819
Impairment deficit	3 002	-
Movements in operating lease assets and accruals	(31 036)	47 859
Movements in provisions	7 090 233	6 619 853
<b>Changes in working capital:</b>		
Inventories	(14 418)	12 737
Receivables from exchange transactions	(31 773 004)	(3 620 963)
Prepayments	(6 832)	(97 604)
Payables from exchange transactions	17 855 464	(323 162)
VAT	(81 182)	(204 622)
Unspent conditional grants and receipts	6 874 534	(1 588 098)
	<b>1 619 739</b>	<b>4 433 917</b>

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2022</b>		
<b>Financial assets</b>		
	At fair value	Total
Trade and other receivables from exchange transactions	41 207 309	41 207 309
Cash and cash equivalents	20 433 336	20 433 336
	<b>61 640 645</b>	<b>61 640 645</b>
<b>Financial liabilities</b>		
	At fair value	Total
Trade and other payables from exchange transactions	25 129 340	25 129 340
<b>2021</b>		
<b>Financial assets</b>		
	At fair value	Total
Trade and other receivables from exchange transactions	9 434 305	9 434 305
Cash and cash equivalents	19 328 830	19 328 830
	<b>28 763 135</b>	<b>28 763 135</b>
<b>Financial liabilities</b>		
	At fair value	Total
Trade and other payables from exchange transactions	7 273 877	7 273 877



## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Commitments</b>		
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operating Lease - Premises	817 784	1 950 350
• Operating Lease - IT Equipment	18 343	79 425
• Supply and Delivery of Electronic/Paperless Board solution	-	79 350
• Provision of Security Services- EL beachfront	-	1 542 022
• System Upgrade on mSCOA compliance	-	718 782
• Basic Infrastructure Provision for 4 Material Recovery Facilities for Waste Management Programme	-	24 006
• Court Crescent Construction- Project Management Fees	287 345	1 353 051
• Supply and delivery of cloud based backup and recovery services	-	7 354
• Water World Construction - Project Management Fees	140 291	638 887
• Provision of Internal Audit Services	-	35 784
• Provision of Unified Communication- Transversal Contract	3 139	3 139
• Supply and Implementation of Microsoft 365	75 900	412 167
• Webiste hosting and maintenance	69 920	98 900
• East London Beachfront Precinct Project - Court Crescent	8 425 196	48 031 805
• Upgrade of Water World	15 804 941	43 664 254
• Provision of Samtrac Training	-	18 990
• Printing of Annual Report	-	10 005
• Remuneration Specialist Services	-	256 007
• Property Finance Advisory Services	5 567 840	6 992 000
• Minor Upgrade of Bisho CBD as part of BIDS	-	493 702
• Development of Public Art Strategy and Implementation plan for BCMDA	-	240 000
• Supply and delivery of Cloud Based Laptop Backup Solution	214 876	342 476
• Duncan Village Buy-back Centre and Integrated Waste Management Services	2 918 601	4 821 025
• Marina Glen B (Ebuhlanti) Little Mauritius and Esplanade	331 430	30 498
• Organisational Development and Design Services	-	287 960
• Planning and design of Interpretative Boards for the Esplande Area	-	115 000
• Assessment of Stakeholder Opinion on Developmnet of Beachfront and Quigney Area	-	181 700
• Decontamination and Microfogging of BCMDA Office	21 519	258 228
• Investigation of Irregular Expenditure	-	104 900
• Provision of Integrated Marketing and Communication Services	1 654 004	2 165 536
• Duncan Village Buy back Centre and Implementation Services	1 413 201	2 302 170
• Supply and delivery of docking station	-	3 513
• Repairs of water dispensers	-	3 432
• Repairs of hard drive	-	1 000
• Services of a Chairperson for the Disciplinary Hearing	-	11 960
• Supply and delivery of 8 Laptops	-	290 315
• Tourism Infrastructure Master Plan	-	250 000
• Industrial Cluster Development Programme	-	219 659
• SMME Development Strategy	-	80 000
• Transactional advisory services deal negotiations, property finance and related advisory services	603 750	-
• Provision of brokage technical support and short term insurance for the BCMDA for a period of 3 years	451 078	-
• Provision of safety and security services in Quigney, EL CBD, Southernwood for 24 months	4 892 500	-
• Development of various tourims routes in Buffalo City	1 850 719	-
• Provision of recruitment agency services	30 870	-
• Leasing of multi-functional copier, maintenance and consumables for 10 months	7 132	-
• Supply and delivery of shipping containers and collection trolleys for Duncan Village Waste management Programme	190 000	-
• Supply and delivery of refuse bags for the Duncan Village Waste Management Programme	1 849 524	-
• Upgrade and refurbishment of Dr. WB Rubusana gravesite memorial	120 615	-

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Commitments (continued)</b>		
• Support and maintenance of SAGE evolution and SAGE 300 people	1 392 000	-
• Minor upgrade of KWT civic centre as part of BIDS	846 688	-
• Basic Infrastructure provision to the material recovery facility for the Duncan Village Buy-back centre and waste management systems	389 620	-
• Supply and delivery of data for 12 months	33 600	-
• Supply, delivery and installation of office furniture	155 580	-
• Supply and delivery of computer equipment	19 000	-
• Supply and delivery of agricultural inputs - Shushu B village	40 211	-
• Supply and delivery of computer accessories	12 537	-
	<b>50 649 754</b>	<b>118 119 352</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	50 649 754	118 119 352

This committed expenditure relates to expenditure as outlined above and will be financed by available bank facilities arising from funding received from Buffalo City Metropolitan Municipality. In addition, included above are the commitments in relation to Water World and Court Crescent recreational projects, which are financed by the City on a claim basis. It is anticipated that these projects will be concluded by 31 August 2022.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	701 819	1 225 749
- in second to fifth year inclusive	-	695 904
	<b>701 819</b>	<b>1 921 653</b>

Operating lease payments represent rentals payable by the entity for its office space and two multipurpose printers/copiers. Office space lease is for a period of three years with an escalation clause of 7% per annum. One of the printers lease period ended during the financial year, and a new lease was entered to for a period of 10 months. All these leases will expire during the 2022/23 financial year.

#### 28. Contingencies

The Accounting Officer is not aware of any contingent liabilities as at 30 June 2022.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand 2022      2021

#### 29. Related parties

Relationships	
Directors	Refer to members' report note
Controlling entity	Buffalo City Metropolitan Municipality
Members of key management	Mr B Nelana Mrs V Ntsodo-Boyce Mr X Jikela Dr E Uithaler (Contract ended 30 June 2022) Ms N Mpongoshe Ms T Hangana Ms T Tongo

Refer to note 20 for the remuneration of key management and note 30 for the remuneration of Directors.

#### Related party balances

##### Amounts included in Trade receivable (Trade Payable) regarding related parties

Buffalo City metropolitan Municipality	38 969 561	9 257 343
East London IDZ SOC Ltd	-	(255 754)
Buffalo City metropolitan Municipality (NDPG) - Net of VAT	(9 176 783)	(2 234 239)

Trade receivables relate to invoices issued to BCMM for the implementation of Water World and Court Crescent recreational projects. The above were outstanding invoices at 30 June 2022. The liability relates to unspent conditional grants as at year-end.

#### Related party transactions

##### Grants Received from related parties

Buffalo City Metropolitan Municipality (Vat Inclusive)	48 468 515	46 160 491
Buffalo City Metropolitan Municipality (NDPG) - Vat Inclusive	14 471 816	2 569 375

##### Project Management Fees from related parties

Buffalo City metropolitan Municipality (VAT inclusive)	7 656 164	7 405 827
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#### Key management information

Class	Description	Number
Non-executive board members	Board of Directors	8
Audit and Risk Committee	Shared with parent municipality	3
Executive management	Agency Management	6
Councillors	Shareholder Representative	1

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand 2022      2021

#### 30. Remuneration of Directors

##### Non-executive

##### 2022

	Members' fees	Re-imbursive Costs	Total
T Bonakele	306 500	-	306 500
Mr C Sangqu	308 500	3 319	311 819
Ms M Pango	331 500	-	331 500
Mrs T Godongwana	302 500	-	302 500
Mr B Canning	212 500	2 037	214 537
Mr L Njezula	351 500	-	351 500
Ms T Buswana	445 500	12 875	458 375
Ms S Booi	380 500	131	380 631
	<b>2 639 000</b>	<b>18 362</b>	<b>2 657 362</b>

##### 2021

	Board Remuneration	Re-imbursive Costs	Total
T Bonakele	238 500	-	238 500
Mr C Sangqu	228 500	2 388	230 888
Ms M Pango	251 500	429	251 929
Mrs T Godongwana	241 500	-	241 500
Mr B Canning	177 500	-	177 500
Mr L Njezula	246 500	605	247 105
Ms T Buswana	291 500	5 693	297 193
Ms S Booi	251 500	145	251 645
	<b>1 927 000</b>	<b>9 260</b>	<b>1 936 260</b>

The Board's remuneration has increased by 37% when compared to the previous period. This is due to the number of activities the Board had to undertake which include, the Organisational Design process that was undertaken to align the BCMDA's organisational structure to the BCMDA's approved 5 year strategic plan. In addition, the organisational design process necessitated the recruitment of the Executives, which was assigned to the Organisational Committee in line with its terms of reference and had led to Special Board meetings held and reflected in the Directors' Report.

#### 31. Prior period errors

In the prior year an error occurred in relation to unspent conditional grants. Unspent conditional grants were understated, by the release of an amount of R153 000 into revenue, which was incurred by the grant however payment was made from the BCMDA's primary bank account. Subsequently a receivable and a corresponding income entry were recognised to account for the incorrect payment. This error was identified by management in the current financial year.

The correction of the error(s) results in adjustments as follows:

##### Statement of financial position

Unspent conditional grants and receipts -      153 704

##### Statement of financial performance

Grants and subsidies -      (153 704)

##### Cash flow statement

##### Cash flow from operating activities

Grant receipts -      (153 704)

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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#### 32. Comparative figures

The correction of prior period error necessitated adjustments to the comparative figures, see note 31 on prior period errors.

#### 33. Risk management

##### Financial risk management

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

##### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities against its financial assets as reported in the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. It is evident from the table below that the liquidity ratio is 2:1, which means that the entity will be able to settle its debts as they become due.

##### Financial Instruments

Current Assets	62 591 338	29 611 396
Current Liabilities	(36 818 292)	(12 070 825)
	<b>25 773 046</b>	<b>17 540 571</b>

##### Liquidity Ratio

Current Assets/Current Liabilities	2	2
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##### Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2022	2021
Cash and cash equivalents	20 433 327	19 328 830

##### Market risk

##### Interest rate risk

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

#### 34. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of 14 541 383 and that the entity's total assets exceed its liabilities by 14 541 383.

The 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.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations for the entity and that the service delivery agreement referred to in preceding sections of these annual financial statements will remain in force for so long as it takes to maintain the solvency of the entity.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand 2022      2021

#### 35. Events after the reporting date

The Board's term expired on 31 August 2022, wherein the parent municipality, BCMM appointed an Interim Board for a period of three (3) months commencing 01 September 2022 until 30 November 2022. In addition, BCMDA's Accounting Officer was put on precautionary suspension with effect from 01 November 2022 for a period of three (3) months. The suspension of the CEO, Mr B Nelana led to the appointment of one of the Board Members, Mr N Van Wyk as the Interim Chief Executive Officer.

#### 36. Fruitless and wasteful expenditure

Opening balance as previously reported	121 155	75 472
Add: Fruitless and wasteful expenditure identified - current	6 819	58 973
Add: Fruitless and wasteful expenditure identified - current year, incurred in the prior period	387 000	-
Less: Amount recovered - current	(6 819)	(13 290)
<b>Closing balance</b>	<b>508 155</b>	<b>121 155</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

Included in the opening balance are fines and penalties that were charged by SARS and the Department of Labour in the 2018/19 financial year. Engagements with SARS in trying to resolve the issue have failed. The amount are currently investigation as required by the MFMA. In addition, in the current financial year, the Agency identified fruitless and wasteful expenditure of approximately R0.387 million incurred in the prior year, emanating from the conclusion or findings made as reported in the Financial Misconduct Disciplinary Board's report, that was noted by Board in August 2022. A final determination of the amount will still be established as the amount disclosed above, is based on the invoices that were paid, which had led to the investigation. Once concluded, the necessary processes will be followed in line with the requirements of the MFMA to ensure compliance and the final amount accordingly reported in the Annual Financial Statements.

#### 37. Irregular expenditure

Opening balance as previously reported	398 730	2 155 529
<b>Opening balance as restated</b>	<b>398 730</b>	<b>2 155 529</b>
Add: Irregular Expenditure - current	87 584 827	90 110 168
Less: Amount written off - current	(87 983 557)	(91 866 967)
<b>Closing balance</b>	<b>-</b>	<b>398 730</b>

Irregular expenditure is presented exclusive of VAT

The majority of irregular expenditure disclosed above was as a result of non compliance with the Supply Chain Regulations in relation to composition of the Bid Adjudication Committee. Processes were followed in both 2019/20 and 2020/21 financial years to investigate the irregular expenditure as required by section 102 of the MFMA, as a result the irregular expenditure was written off as shown in the comparative figures.

In addition the audit of 2020/21 financial identified irregular expenditure of R398 730 (opening balance), which was relating to procurement that was undertaken without following compliant procurement processes. It was as a result of the Agency prematurely applying the gazetted changes to the Municipal Supply Chain Regulations, which unfortunately were not approved for application rather the regulations were gazetted for commentary from the users. The R87.9 million above, was investigated and the outcome recommended the write-off of irregular expenditure which was approved by Board. The Board subsequently notified Council of the decision to write off irregular expenditure.

#### 38. Alleged financial misconduct investigation

An alleged financial misconduct incident was identified during the financial year. The Accounting Officer undertook appropriate steps by appointing Lunika Chartered Accountants, who were the Internal Auditors to conduct a preliminary investigation as outlined in the Financial Misconduct regulations. The outcomes of the preliminary investigation warranted a full investigation, wherein a Financial Misconduct Disciplinary Board was established, with the appointment of the Independent Chairperson. The terms of reference for the full investigation were approved by the BCMDA Board on 29 October 2021. The outcome of the investigation was noted by the BCMDA Board in a Special Board meeting that was held on 22 August 2022.

## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand 2022 2021

#### 39. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management 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 board and includes a note to the annual financial statements.

Investigation services into alleged financial misconduct were procured through regulation 36 provisions. The reasons for these deviations were documented and reported to the Board of Directors who considered them and subsequently noted the deviation from the normal supply chain management regulations.

#### Supplier Details

Lunika Chartered Accountants & Auditors	28 336	-
WMS Forensic & Financial Consulting (Pty) Ltd	116 000	-
	<b>144 336</b>	<b>-</b>

#### 40. Accounting by principals and agents

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

#### Details of the arrangement are as follows

BCMDA is a development agency of the BCMM and has a responsibility of ensuring economic development is achieved through its existence to expedite development of the City and also 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, BCMDA appointed contractors to commence with the construction of both Water World and Court Crescent. The City retains control of the assets, are therefore not recorded in the BCMDA's accounting records, rather the City's. invoices received from contractors are recorded as payables and a BCMM receivable is recognised in the Statement of Financial Position, since the funds to settle contractors invoices are claimed from BCMM as and when invoices are received. In total R83.2 million (2020/21: R80.4 million) are invoices that were received and claimed from the City. BCMDA further bills the City project management fees of 8% of the invoices received from the service providers at the above-mentioned recreational sites. This is the only real transaction recorded by BCMDA in relation to the arrangement.

The entity is therefore an agent in this arrangement with the City.

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 6 657 534 (2021: 6 798 546).

#### Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal that have been recognised by the entity are invoices received from the contractors for the month of June 2022 amounting to R22.3 million.

Corresponding rights of reimbursement that have been recognised as assets are invoices billed to the City amounting to R36 million. A portion of the receivables was subsequently paid by the City.



## Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Additional Disclosure in terms of the Municipal Finance Management Act</b>		
<b>Provident Fund Contributions</b>		
Opening Balance	117 794	122 146
Current year contributions	1 791 473	1 747 649
Amount paid - current year	(1 774 449)	(1 752 001)
	<b>134 818</b>	<b>117 794</b>
<b>PAYE and UIF</b>		
Opening balance	603 189	530 657
Current year contributions	6 082 851	5 617 555
Amount paid - current year	(6 096 460)	(5 545 023)
	<b>589 580</b>	<b>603 189</b>
<b>42. Fees Earned</b>		
Project Management Fees	6 657 534	6 798 546

The project management fees are as a result of the BCMDA arrangement of implementation of the City projects. BCMDA receives 8% of the invoices that the City has certified on the work done by the contractors.

# VOLUME 2

# ANNUAL FINANCIAL STATEMENTS



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY



# **Audited Consolidated Annual Financial Statement as at 30 June 2022**



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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Local Government
<b>Jurisdiction</b>	The demarcation board has determined that Buffalo City Metropolitan Municipality (BUF) includes the towns of East London, Bhisho, King William's Town, Berlin as well as the townships of Mdantsane, Gompo, Zwelitsha, Dimbaza, Phakamisa, Ndevana, Iliitha, Ginsberg and the surrounding rural areas.
<b>Mayoral committee</b>	
Executive Mayor	Councillor X.P. Pakati
Deputy Executive Mayor	Councillor P. Faku
Councillors	Councillor N. Mhlola - Human Settlements Councillor N. Maxongo - Spatial Planning & Development Councillor S. Caga - Financial Services Councillor M. Marata - Economic Development & Agencies Councillor A. Mnyute - Community Services Councillor S. Matwele - Health, Public Safety and Emergency Services Councillor M. Mfazwe - Infrastructure Services Councillor G. Lottering - Sport and Community Development Councillor H. Neale-May - Corporate Services
<b>Grading of local authority</b>	Grade 6 Municipality
<b>Acting City Manager / Accounting Officer</b>	Mr. N. Ncunyana
<b>Acting Chief Financial Officer (ACFO)</b>	Mr. A. Xoseka
<b>Business address</b>	Trust Centre Oxford Street East London 5201
<b>Postal address</b>	PO Box 134 East London 5200
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Members of the Audit Committee</b>	Mr. S. Ngqwala (Chairperson) - appointment 04 September 2020 Mr. S. Maharaj (Member) - appointment 04 September 2020 Mr. L. Ngqongwa (Member) - appointment 04 September 2020 Ms. L. Makaza-Hini (Member) - appointment 04 September 2020 Mr. T. Zororo (Member) - appointment 04 September 2020 Ms. T. Maqwati-Naku (Member) - appointment 04 September 2020 Ms. Y. Roboji (Member) - appointment 04 September 2020 - resigned 08 October 2021

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**General Information**

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**Legislation Governing the Municipality**

The Constitution of the Republic of South Africa, 1996  
The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)  
The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)  
The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)  
Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)  
Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007)  
Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)  
Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)  
Division of Revenue Act (Act 1 of 2007)

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

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

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### Abbreviations used:

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



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

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

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

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

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

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**Mr. N. Ncunyana**  
**Acting City Manager**

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Statement of Financial Position as at 30 June 2022**

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

\* See Note 52

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Statement of Financial Performance**

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

\* See Note 52

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Statement of Changes in Net Assets**

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

\* See Note 52

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Cash Flow Statement**

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

\* See Note 52

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget MFMA)	Final adjustments	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Transfers recognised - capital	733 698 600	(25 239 185)	708 459 415	-	-	708 459 415	686 434 145		(22 025 270)	97 %	
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	2 293 545		2 293 545	- %	N5
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(428 394 822)</b>	<b>(25 539 535)</b>	<b>(453 934 357)</b>	-	-	<b>(453 934 357)</b>	<b>(262 550 500)</b>		<b>191 383 857</b>	<b>58 %</b>	
Share of surplus (deficit) of associate	-	-	-	-	-	-	(29 868 763)		(29 868 763)	- %	N6
<b>Surplus/(Deficit) for the year</b>	<b>(428 394 822)</b>	<b>(25 539 535)</b>	<b>(453 934 357)</b>	-	-	<b>(453 934 357)</b>	<b>(232 681 737)</b>		<b>221 252 620</b>	<b>51 %</b>	<b>N7</b>



## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	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
<b>Capital expenditure and funds sources</b>											
<b>Sources of capital funds</b>											
Transfers recognised - capital	732 498 600	(25 239 185)	707 259 415	-	-	707 259 415	624 463 713		(82 795 702)	88 %	N8
Borrowing	369 714 278	(334 403 278)	35 311 000	-	-	35 311 000	11 727 391		(23 583 609)	33 %	N9
Internally generated funds	701 378 735	154 311 840	855 690 575	-	-	855 690 575	772 324 088		(83 366 487)	90 %	
<b>Total sources of capital funds</b>	<b>1 803 591 613</b>	<b>(205 330 623)</b>	<b>1 598 260 990</b>	<b>-</b>	<b>-</b>	<b>1 598 260 990</b>	<b>1 408 515 192</b>		<b>(189 745 798)</b>	<b>88 %</b>	
<b>Financial position</b>											
Total current assets	3 462 561 565	(151 041 143)	3 311 520 422	-	-	3 311 520 422	3 453 553 120		142 032 698	104 %	N10
Total non current assets	22 639 950 990	(107 330 623)	22 532 620 367	-	-	22 532 620 367	25 670 881 082		3 138 260 715	114 %	N11
Total current liabilities	(1 710 941 669)	(3 103 790)	(1 714 045 459)	-	-	(1 714 045 459)	(2 168 468 136)		(454 422 677)	127 %	N11
Total non current liabilities	(1 245 727 854)	283 338 745	(962 389 109)	-	-	(962 389 109)	(1 077 204 506)		(114 815 397)	112 %	N12
<b>Community wealth/Equity</b>	<b>23 145 843 032</b>	<b>21 863 189</b>	<b>23 167 706 221</b>	<b>-</b>	<b>-</b>	<b>23 167 706 221</b>	<b>25 878 761 560</b>		<b>2 711 055 339</b>	<b>112 %</b>	

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Statement of Comparison of Budget and Actual Amounts**

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s31 of the MFMA)	Final adjustments and 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
<b>Cash flows</b>											
Net cash from (used) operating	1 422 341 272	226 580 816	1 648 922 088	-	-	1 648 922 088	1 064 221 207		(584 700 881)	65 %	N13
Net cash from (used) investing	(1 803 591 613)	205 330 623	(1 598 260 990)	-	-	(1 598 260 990)	(1 466 981 114)		131 279 876	92 %	
Net cash from (used) financing	317 478 146	(329 008 425)	(11 530 279)	-	-	(11 530 279)	(45 190 556)		(33 660 277)	392 %	N14
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(63 772 195)</b>	<b>102 903 014</b>	<b>39 130 819</b>	-	-	<b>39 130 819</b>	<b>(447 950 463)</b>		<b>(487 081 282)</b>	<b>(1 145)%</b>	
Cash and cash equivalents at the beginning of the year	1 369 320 426	-	1 369 320 426	-	-	1 369 320 426	1 145 407 278		(223 913 148)	84 %	N15
<b>Cash and cash equivalents at year end</b>	<b>1 305 548 231</b>	<b>102 903 014</b>	<b>1 408 451 245</b>	-	-	<b>1 408 451 245</b>	<b>697 456 815</b>		<b>(710 994 430)</b>	<b>50 %</b>	

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Statement of Comparison of Budget and Actual Amounts

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments and budget (i.t.o. s28 and budget s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Transfers recognised - capital	732 498 600	(25 239 185)	707 259 415	-	707 259 415	686 434 145		(20 825 270)	97 %	
Contributions recognised - capital and contributed assets	-	-	-	-	-	2 293 545		2 293 545	- %N5	
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(429 895 171)</b>	<b>(25 239 185)</b>	<b>(455 134 356)</b>	<b>-</b>	<b>(455 134 356)</b>	<b>(263 200 244)</b>		<b>191 934 112</b>	<b>58 %</b>	
Share of surplus (deficit) of associate	-	-	-	-	-	29 868 763		29 868 763	- %N6	
<b>Surplus/(Deficit) for the year</b>	<b>(429 895 171)</b>	<b>(25 239 185)</b>	<b>(455 134 356)</b>	<b>-</b>	<b>(455 134 356)</b>	<b>(233 331 481)</b>		<b>221 802 875</b>	<b>51 %N7</b>	

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments and 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
<b>Capital expenditure and funds sources</b>										
<b>Sources of capital funds</b>										
Transfers recognised - capital	732 498 600	(25 239 185)	707 259 415	-	707 259 415	624 463 713		(82 795 702)	88 %	N8
Borrowing	369 714 278	(334 403 278)	35 311 000	-	35 311 000	11 727 391		(23 583 609)	33 %	N9
Internally generated funds	700 178 735	154 311 840	854 490 575	-	854 490 575	771 692 974		(82 797 601)	90 %	
<b>Total sources of capital funds</b>	<b>1 802 391 613</b>	<b>(205 330 623)</b>	<b>1 597 060 990</b>	-	<b>1 597 060 990</b>	<b>1 407 884 078</b>		<b>(189 176 912)</b>	<b>88 %</b>	
<b>Financial position</b>										
<b>Sources of capital funds</b>										
Total current assets	3 453 909 512	(152 011 029)	3 301 898 483	-	3 301 898 483	3 426 756 779		124 858 296	104 %	
Total non-current assets	22 637 879 593	(107 330 623)	22 530 548 970	-	22 530 548 970	25 668 573 016		3 138 024 046	114 %	N10
Total current liabilities	(1 703 605 525)	(3 455 993)	(1 707 061 518)	-	(1 707 061 518)	(2 167 444 841)		(460 383 323)	127 %	N11
Total non-current liabilities	(1 245 727 854)	283 338 745	(962 389 109)	-	(962 389 109)	(1 063 664 777)		(101 275 668)	111 %	N12
<b>Community wealth/Equity</b>	<b>23 142 455 726</b>	<b>20 541 100</b>	<b>23 162 996 826</b>	-	<b>23 162 996 826</b>	<b>25 864 220 177</b>		<b>2 701 223 351</b>	<b>112 %</b>	

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments and 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
<b>Cash flows</b>											
Net cash from (used) operating	1 419 886 243	226 507 484	1 646 393 727	-	-	1 646 393 727	1 062 601 468		(583 792 259)	65 %	N13
Net cash from (used) investing	(1 802 391 613)	205 330 623	(1 597 060 990)	-	-	(1 597 060 990)	(1 466 465 881)		130 595 109	92 %	
Net cash from (used) financing	318 822 037	(329 023 316)	(10 201 279)	-	-	(10 201 279)	(45 190 556)		(34 989 277)	443 %	N14
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(63 633 333)</b>	<b>102 814 791</b>	<b>39 131 458</b>	-	-	<b>39 131 458</b>	<b>(449 054 969)</b>		<b>(488 186 427)</b>	<b>(1 148)%</b>	
Cash and cash equivalents at the beginning of the year	1 369 320 426	-	1 369 320 426	-	-	1 369 320 426	1 126 078 448		(243 241 978)	82 %	N15
<b>Cash and cash equivalents at year end</b>	<b>1 305 637 093</b>	<b>102 814 791</b>	<b>1 408 451 884</b>	-	-	<b>1 408 451 884</b>	<b>677 023 479</b>		<b>731 428 405</b>	<b>48 %</b>	

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Statement of Comparison of Budget and Actual Amounts

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

N1 - (Transfers recognised - operational) – The variance is caused by revenue for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

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

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

N4 - (Other expenditure) - The variance is mainly caused by expenditure for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

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

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

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

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

N9 - (Borrowing) - The Metro had initially budgeted for the loan funding of the Reeston Tunnel project, however due to delays in finalizing the financing contractual arrangements, this in turn affected the implementation of the project.

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

N11 - (Total current liabilities) - The increase is a result of year end accruals that were processed at the end of the year which were significantly higher than the previous year.

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

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

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

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



## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

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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 9.

##### Fair value estimation

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

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#### 1.2 Significant judgements and sources of estimation uncertainty (continued)

##### Impairment testing

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

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

##### Taxation

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

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

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

##### Useful lives of waste and water network and other assets

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

##### Post-retirement benefits

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

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

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

##### Effective interest rate

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

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#### 1.2 Significant judgements and sources of estimation uncertainty (continued)

##### Allowance for doubtful debts

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

##### Cash and non-cash generating assets

The entity is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff, although net positive cash flows are achieved from electricity service charges. Management assessed this as immaterial and regards all assets to meet the definition of non-cash generating assets.

#### 1.3 Investment property

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

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

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

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

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

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

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

##### Fair value

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

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

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

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

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

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#### 1.3 Investment property (continued)

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

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

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

#### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

#### 1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.4 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the entity.

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

#### 1.5 Site restoration and dismantling cost

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

#### 1.6 Intangible assets

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

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from a entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.6 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Intangible assets are derecognised:

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

#### 1.7 Heritage assets

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

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

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

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

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

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

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



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**1.7 Heritage assets (continued)****Recognition**

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

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

**Initial measurement**

Heritage assets are measured at cost.

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

**Subsequent measurement**

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

**Impairment**

The entity assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the heritage asset.

**Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

**Derecognition**

The economic entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

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#### **1.8 Interests in other entities**

##### **Investments in associates**

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

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

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

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

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

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

##### **Impairment losses**

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

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

##### **Equity method**

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

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

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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### 1.9 Financial instruments

A financial asset is:

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

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

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

#### Classification

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

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

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

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

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#### 1.9 Financial instruments (continued)

##### Initial recognition

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

##### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### Subsequent measurement of financial assets and financial liabilities

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

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

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

##### Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

##### Reclassification

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

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

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

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

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

##### Gains and losses

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

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

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### Accounting Policies

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#### 1.9 Financial instruments (continued)

##### Impairment and uncollectibility of financial assets

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

##### Financial assets measured at amortised cost:

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

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

##### Derecognition

###### a) Financial assets

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

###### b) Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (when the obligation specified in the contract is discharged, cancelled, expires or waived). The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of financial performance. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

##### Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

#### 1.10 Statutory receivables

##### Identification

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

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

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#### 1.10 Statutory receivables (continued)

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

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

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

#### Recognition

The economic entity recognises statutory receivables as follows:

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

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Impairment losses

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

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

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

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

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

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#### **1.10 Statutory receivables (continued)**

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

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

#### **1.11 Leases**

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

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

##### **Operating leases - lessor**

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

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

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

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

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

##### **Operating leases - lessee**

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

#### **1.12 Inventories**

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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



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#### 1.12 Inventories (continued)

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

#### 1.13 Impairment of non-cash-generating assets

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

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

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

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

#### Identification

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

### **Accounting Policies**

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

##### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

##### **Reversal of an impairment loss**

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

##### **Re-designation**

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

#### **1.14 Employee benefits**

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.14 Employee benefits (continued)

##### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

##### Post-employment benefits

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

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

##### Post-employment benefits: Defined contribution plans

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

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

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

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#### 1.14 Employee benefits (continued)

##### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating (deficit).

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

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

## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

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### **Accounting Policies**

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#### **1.16 Commitments**

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

At the end of each financial period the entity determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements differentiating between community, infrastructure and other capital expenditure commitments. (Refer to note 49)

#### **1.17 Revenue from exchange transactions**

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

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

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

#### **Measurement**

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

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

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

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

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

#### **Sale of goods**

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

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



## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.17 Revenue from exchange transactions (continued)

##### Rendering of services

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

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

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

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

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

##### Interest

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

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

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

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

#### 1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

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### **Accounting Policies**

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#### **1.18 Revenue from non-exchange transactions (continued)**

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

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

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

#### **Recognition**

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

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

#### **Measurement**

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

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

#### **Taxes (Property rates)**

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

#### **Transfers**

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

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

#### **Debt forgiveness and assumption of liabilities**

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.18 Revenue from non-exchange transactions (continued)

##### Fines

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

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

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

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

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

##### Bequests

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

##### Gifts and donations, including goods in-kind

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

#### 1.19 Investment income

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

#### 1.20 Borrowing costs

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

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

#### 1.21 Accounting by principals and agents

##### Identification

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

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

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

##### Identifying whether a municipality is a principal or an agent

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

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#### 1.21 Statutory receivables (continued)

##### Binding arrangement

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

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

##### Assessing which entity benefits from the transactions with third parties

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

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

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

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

##### Recognition

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

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

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

#### 1.22 Comparative figures

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

#### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

#### 1.24 Fruitless and wasteful expenditure

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

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

## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

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### **Accounting Policies**

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#### **1.25 Irregular expenditure**

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

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

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

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

#### **1.26 Revaluation reserve**

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

#### **1.27 Off-setting**

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

#### **1.28 Conditional grants and receipts**

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

#### **1.29 Budget information**

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

### **Accounting Policies**

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#### **1.29 Budget information (continued)**

Comparative information is not required.

#### **1.30 Related parties**

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the entity. (Refer to note 51)

#### **1.31 Events after reporting date**

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

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

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

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

#### **1.32 Value added tax (VAT)**

The entity accounts for value added tax on the payment basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position. (Refer to note 21)

#### **1.33 Investments**

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

#### **1.34 Segment information**

A segment is an activity of an entity:

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

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

#### **Measurement**

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

#### **1.35 Living and non-living resources**

Living resources are those resources that undergo biological transformation.

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Accounting Policies

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#### 1.35 Living and non-living resources (continued)

##### Recognition

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

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

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

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

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

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

#### 1.36 Transitional provisions

##### Transitional provision for Living-and-Non-living Resources

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

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

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

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

##### Due to initial adoption of the GRAP standard

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

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

#### 1.37 Tax

##### Current tax assets and liabilities

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

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



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Accounting Policies**

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**1.37 Tax (continued)****Deferred tax assets and liabilities**

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

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

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

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

**Tax expenses**

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

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

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

**2. New standards and interpretations****2.1 Standards and interpretations issued, but not yet effective**

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2022 or later periods:

**Guideline: Guideline on Accounting for Landfill Sites**

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

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

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

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

**GRAP 25 (as revised): Employee Benefits****Background**

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

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

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

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

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

**Key amendments to GRAP 25**

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Notes to the Audited Consolidated Annual Financial Statements

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#### 2. New standards and interpretations (continued)

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

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

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

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

##### Background

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

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

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

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

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

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

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

#### Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

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

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

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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

### Notes to the Audited Consolidated Annual Financial Statements

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#### 2. New standards and interpretations (continued)

##### GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

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

##### GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

##### Materiality and aggregation

The amendments clarify that:

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

##### Statement of financial position and statement of financial performance

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

##### Notes structure

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

##### Disclosure of accounting policies

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

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Notes to the Audited Consolidated Annual Financial Statements****2. New standards and interpretations (continued)**

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

**3. Investment property**

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

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

**Reconciliation of investment property - Economic entity - 2022**

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

**Reconciliation of investment property - Economic entity - 2021**

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

**Reconciliation of investment property - Controlling entity - 2022**

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

**Reconciliation of investment property - Controlling entity - 2021**

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

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

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

The total direct operating expenses for repairs and maintenance on all municipal properties amounts to R403 194 251, (2021: R386 027 395) including repairs and maintenance expenses on investment properties. Refer to repairs and maintenance note 42 and commitments note 49.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Notes to the Audited Consolidated Annual Financial Statements**

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

**3. Investment property (continued)**

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

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

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

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

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

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

Rental income from investment properties in respect of monthly and annual leases amounted to R12 736 422, (2021: R16 031 184).

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

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



# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2022

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2021

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

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### 4. Property, plant and equipment (continued)

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

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



# BUFFALO CITY METROPOLITAN MUNICIPALITY

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### 4. Property, plant and equipment (continued)

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

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

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

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

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 5. Intangible assets

	2022		2021			
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation		
Economic entity				Accumulated amortisation and impairment	Carrying value	
Computer software	43 142 941	(32 296 084)	10 846 857	42 887 895	(29 878 184)	13 009 711
Controlling entity						
Computer software	38 485 598	(28 415 085)	10 070 513	38 485 599	(26 514 621)	11 970 978

### Reconciliation of intangible assets - Economic entity - 2022

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

### Reconciliation of intangible assets - Economic entity - 2021

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



# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 5. Investment property (continued)

#### Reconciliation of intangible assets - Controlling entity - 2022

Computer software

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

#### Reconciliation of intangible assets - Controlling entity - 2021

Computer software

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 6. Heritage assets

Economic entity	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Monuments	7 398 532	-	7 398 532	7 398 532
Memorials	2 866 049	-	2 866 049	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433	22 198 433
Other Heritage sites	18 050 426	-	18 050 426	18 050 426
<b>Total</b>	<b>50 513 440</b>	<b>-</b>	<b>50 513 440</b>	<b>50 513 440</b>

### Controlling entity

Controlling entity	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Monuments	7 398 532	-	7 398 532	7 398 532
Memorials	2 866 049	-	2 866 049	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433	22 198 433
Other Heritage sites	18 050 426	-	18 050 426	18 050 426
<b>Total</b>	<b>50 513 440</b>	<b>-</b>	<b>50 513 440</b>	<b>50 513 440</b>

### Reconciliation of heritage assets - Economic entity - 2022

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

# BUFFALO CITY METROPOLITAN MUNICIPALITY

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

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 6. Heritage assets (continued)

#### Reconciliation of heritage assets - Economic entity - 2021

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

#### Reconciliation of heritage assets - Controlling entity - 2022

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

#### Reconciliation of heritage assets - Controlling entity - 2021

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

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Notes to the Audited Consolidated Annual Financial Statements**

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

**7. Investment in associates**

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

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

**Movements in carrying amount**

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

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

**Fair value**

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

**Summary of controlled entity's interest in associate**

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

The financial statements of East London Industrial Development Zone (Proprietary) Limited have a different year end to BCMM and ELIDZ statements are prepared for the accounting period 01 April 2021 to 31 March 2022.

Per Accounting Policy 1.8, the entity uses the most recent available financial statement of the associate in applying the equity method. The amounts reflected above are for the period 01 April 2021 - 31 March 2022.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**Notes to the Audited Consolidated Annual Financial Statements**

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

**7. Investment in associates (continued)****Interests in associates****Material associates**

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

**Summarised financial information for the associate**

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

**8. Operating lease liability**

Current liabilities	(68 368)	(99 404)	-	-
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The Agency entered into lease agreements for its two multifunctional printers and office space. GRAP 13 requires straightlining of the lease payments over the duration of the lease term. The lease for the office space has an escalation clause of 7% per annum. The above operating lease accrual is therefore as a result of adhering with the standard.

**9. Employee benefit obligations**

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

**Carrying value**

Balance at the beginning of the year	787 215 000	684 817 000	787 215 000	684 817 000
Current service cost	53 883 000	41 081 000	53 883 000	41 081 000
Interest cost	95 299 000	62 882 000	95 299 000	62 882 000
Actual employer benefit payments	(52 874 000)	(42 158 000)	(52 874 000)	(42 158 000)
Actuarial loss/(gain) recognised in the year	(28 647 000)	40 593 000	(28 647 000)	40 593 000
	<b>854 876 000</b>	<b>787 215 000</b>	<b>854 876 000</b>	<b>787 215 000</b>
Non-current liabilities	(825 728 000)	(761 616 000)	(825 728 000)	(761 616 000)
Current liabilities	(29 148 000)	(25 599 000)	(29 148 000)	(25 599 000)
<b>Net liability</b>	<b>(854 876 000)</b>	<b>(787 215 000)</b>	<b>(854 876 000)</b>	<b>(787 215 000)</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
<b>9. Employee benefit obligations (continued)</b>				
<b>Net costs</b>				
Current service cost	53 883 000	41 081 000	53 883 000	41 081 000
Interest cost	95 299 000	62 882 000	95 299 000	62 882 000
Actual employer benefit payments	(52 874 000)	(42 158 000)	(52 874 000)	(42 158 000)
Actuarial loss/(gains) recognised in the year	(28 647 000)	40 593 000	(28 647 000)	40 593 000
<b>Net costs per Statement of Financial Performance</b>	<b>67 661 000</b>	<b>102 398 000</b>	<b>67 661 000</b>	<b>102 398 000</b>
<b>Post-retirement medical contribution amounts recognised in the statement of financial position</b>				
Balance at the beginning of the year	512 157 000	454 831 000	512 157 000	454 831 000
Current service cost	28 544 000	19 568 000	28 544 000	19 568 000
Interest costs	66 249 000	46 136 000	66 249 000	46 136 000
Actual employer benefit payments	(20 422 000)	(20 009 000)	(20 422 000)	(20 009 000)
Actuarial loss/(gain) recognised in the year	(53 053 000)	11 631 000	(53 053 000)	11 631 000
<b>Net costs per Statement of Financial Performance</b>	<b>533 475 000</b>	<b>512 157 000</b>	<b>533 475 000</b>	<b>512 157 000</b>
<b>Post-retirement medical contribution - Net cost</b>				
Current service cost	28 544 000	19 568 000	28 544 000	19 568 000
Interest costs	66 249 000	46 136 000	66 249 000	46 136 000
Actual employer benefit payments	(20 422 000)	(20 009 000)	(20 422 000)	(20 009 000)
Actuarial loss/(gains) recognised in the year	(53 053 000)	11 631 000	(53 053 000)	11 631 000
	<b>21 318 000</b>	<b>57 326 000</b>	<b>21 318 000</b>	<b>57 326 000</b>

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

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

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

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

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Consolidated Annual Financial Statements**

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

**9. Employee benefit obligations (continued)****Key assumptions used**

Assumptions used at the reporting date:

Discount rates	11.82 %	8.26 %	11.82%	8.26%
CPI (Consumer Price Inflation)	8.02 %	5.33 %	8.02%	5.33%
Medical aid contribution inflation	9.52 %	6.83 %	9.52%	6.83%
Net effective discount rate	2.10 %	1.34 %	2.10%	1.34%
Maximum subsidy inflation rate	6.01 %	4.73 %	6.01%	4.73%
Net-of-maximum-subsidy-inflation discount rate	5.34 %	3.37 %	5.34%	3.37%
Continuation of membership at retirement	75.00 %	75.00 %	75.00%	75.00%
Proportion with a spouse dependent at retirement	90.00 %	90.00 %	90.00%	90.00%
Average retirement age	62	62	62	62
Mortality during employment	SA 85-90	SA 85-90	SA 85-90	SA 85-90
Mortality post-employment	PA(90)	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90)	PA(90) -1 with a 1% mortality improvement p.a. from 2010

**In-service members**

Number of in-service members	3 517	3 622	3 517	3 622
Average age	46.4	46.0	46.4	46.0
Average past service	13.6	13.1	13.6	13.1
Number of spouses	983	1 040	983	1 040
Average current value of post-employment subsidy p.m.	R 2 210	R 1 399	R 2 210	R 1 399

**Continuation members**

Number of principal members	496	492	496	492
Proportion with a spouse dependent	0.38	0.38	0.38	0.38
Average age of members	73.6	74.3	73.6	74.3
Average subsidy per month	R 3 170	R 3 310	R 3 170	R 3 310



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Consolidated Annual Financial Statements**

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

**9. Employee benefit obligations (continued)****Sensitivity Results**

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

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

**Mortality rate**

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

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

	<b>-20% Mortality rate</b>	<b>Valuation assumption</b>	<b>+20% Mortality rate</b>
In-service members	361 012 000	336 761 000	315 926 000
Continuation members	212 973 000	196 714 000	183 543 000
Total accrued liability	573 985 000	533 475 000	499 469 000
Interest cost	68 050 000	63 160 000	59 054 000
Service cost	23 898 000	22 208 000	20 754 000

**Medical aid inflation**

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

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

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

**Discount rate**

The value of the liability is dependent on the level of the discount rate used to discount the future payments.

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

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Consolidated Annual Financial Statements**

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

**9. Employee benefit obligations (continued)****Average retirement age**

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

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

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

**Continuation of membership at retirement**

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

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

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

**History of Liabilities, Assets and Experience Adjustments**

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

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

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

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Consolidated Annual Financial Statements**

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

**9. Employee benefit obligations (continued)****Long service awards amounts recognised in the statement of financial position**

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

**Long service awards - Net cost**

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

**Key assumptions used**

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

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

**Assumptions used at the reporting date:**

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

**Sensitivity analysis**

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

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

**Withdrawal rate**

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

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

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

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	2022	2021 *Restated	2022	2021 *Restated

**9. Employee benefit obligations (continued)****Normal salary inflation**

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

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

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

**Discount rate**

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

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

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

**Average retirement age**

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

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

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

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	2022	2021 *Restated	2022	2021 *Restated

**9. Employee benefit obligations (continued)****History of Liabilities, Assets and Experience Adjustments**

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

<b>Liability history</b>	<b>30/06/2018</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2021</b>	<b>30/06/2022</b>
Accrued liability	195.180	216.947	229.986	275.058	321.401
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
<b>(Deficit)</b>	<b>(195.180)</b>	<b>(216.947)</b>	<b>(229.986)</b>	<b>(275.058)</b>	<b>(321.401)</b>

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

<b>Experience adjustments</b>	<b>Year ending 30/06/2019</b>	<b>Year ending 30/06/2020</b>	<b>Year ending 30/06/2021</b>	<b>Year ending 30/06/2022</b>
Liabilities: (Gain) / Loss	12 628 230	18 797 262	5 198 000	25 383 000
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000

**Defined contribution plan - BCMDA**

It is the policy of the entity to provide retirement benefits to all its employees. BCMDA has during the financial year made contributions to a Defined Contribution Plan, wherein the fixed contributions are paid on a monthly basis to the fund. The entity is under no obligation to cover any unfunded benefits. kindly refer to note 39 for the amounts paid to the fund.

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

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

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

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

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

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

**Inventory pledged as security**

No inventory was pledged as security.

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	2022	2021 *Restated	2022	2021 *Restated

**11. Prepayments**

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

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



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

**Credit quality of receivables from non-exchange transactions**

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

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

**Receivables from non-exchange transactions impaired**

As of 30 June 2022, other receivables from non-exchange transactions of R (777 195 037) (2021: R (530 624 324)) were impaired and provided for.

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

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

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

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 36). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

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

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

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

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

**Consumer debtors pledged as security**

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

No security is held for any of the accounts receivable.

**Credit quality of consumer debtors**

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

**Consumer debtors impaired**

As of 30 June 2022, consumer debtors of R 2 921 226 923 (2021: R (1 942 873 589)) were impaired and provided for.

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

**Reconciliation of allowance for impairment of consumer debtors**

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

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 38). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

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

In terms of the arrangements to repay rates and services debt as at 30 June 2022, 6350 (2021: 4600) debtors had active outstanding arrangements to the value of R173 504 944 (2021: R128 339 768). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

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	2022	2021 *Restated	2022	2021 *Restated

**13. Receivables from exchange transactions (continued)****Accrued income**

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

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

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

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

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

**14. Cash and cash equivalents**

Cash and cash equivalents consist of:

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

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

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

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

There is a significant drop in interest rates between the 2021 and 2022 financial years due to constant interest rate cuts by the SARB MPC.

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

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

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

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

A cession by the Municipality in respect of the Department of Labour for COID amounts to R23 828 947 (2021: R19 824 932)

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



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

**14. Cash and cash equivalents (continued)**

The economic entity had the following bank accounts

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

**15. Revaluation reserve**

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

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

**16. Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

**Unspent conditional grants and receipts**

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

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

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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
<b>16. Unspent conditional grants and receipts (continued)</b>						
Reeston Development - Land Affairs	192 858	7 256	-	-	-	200 114
Mdantsane Urban Renewal Project (Mount Ruth Node)	3 001 268	112 437	-	-	-	3 113 705
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
<b>Subtotal</b>	<b>6 279 910</b>	<b>1 381 464</b>	<b>-</b>	<b>-</b>	<b>(1 213 065)</b>	<b>6 448 309</b>
<b>Other Conditional Grants</b>						
	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Buffalo City Metro Transport (BCMETS) Funding	487 499	-	-	(484 546)	-	2 953
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	337 786	19 360	(191 083)	-	-	166 063
Leiden	87 347	3 431	-	-	-	90 778
Umsobomvu Youth Fund	289 050	12 392	-	-	-	301 442
City of Oldenburg	860 189	32 225	-	-	-	892 414
<b>Subtotal</b>	<b>2 309 897</b>	<b>67 408</b>	<b>(191 083)</b>	<b>(484 546)</b>	<b>-</b>	<b>1 701 676</b>
<b>Administrative Grant</b>						
	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Land Affairs - West Bank	115 215 548	4 265 458	-	-	-	119 481 006
Land Affairs - East Bank	98 955 291	1 917 716	-	-	-	100 873 007
<b>Subtotal</b>	<b>214 170 839</b>	<b>6 183 174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>220 354 013</b>
<b>National Government (2021)</b>						
	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Financial Management Grant (FMG)	26	1 000 000	(988 522)	-	(11 454)	50
Neighbourhood Development Partnership Grant (NDPG)	8 054 828	10 000 000	-	(9 922 505)	(8 113 155)	19 168
Electricity Demand: Side Management Grant (EDSM)	-	6 300 000	-	(6 195 353)	(104 374)	273
Urban Settlement Development Grant (USDG)	223 055 536	887 121 000	(96 925 554)	(880 538 166)	(99 827 946)	32 884 870
Expanded Public Works Programme (EPWP)	(2)	8 449 000	(8 448 911)	-	-	87
Integrated City Development Grant (ICDG)	1 160	8 218 000	(866 207)	(1 756 872)	(263 531)	5 332 550
Infrastructure Skills Development Grant (ISDG)	1 723 212	10 808 000	(7 153 743)	(76 991)	(1 753 374)	3 547 104
Public Transport Network Grant (PTNG)	78 371 174	-	(732 635)	(67 689 540)	(9 795 105)	153 894
DEA - Waste Management Conditional grant - BCMDA	3 893 366	2 078 453	(5 900 789)	-	-	71 030
NDPG - Integrated Waste Management Grant - BCMDA	-	2 234 239	-	-	-	2 234 239

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	2022	2021 *Restated	2022	2021 *Restated		
<b>16. Unspent conditional grants and receipts (continued)</b>						
Subtotal	315 099 300	936 208 692	(121 016 361)	(966 179 427)	(119 868 939)	44 243 265
<b>Provincial Government (2021)</b>	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission Gompo Survey (DVRI Hydroponics)	1 257 728	42 343	-	-	-	1 300 071
Rehabilitation of Stoney Drift Landfill Site (DEDEAT)	98 532	-	-	-	-	98 532
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	199 168	-	-	-	(199 168)	-
Pilot Housing Project	861	-	-	-	-	861
Reeston Development - Land Affairs	268 793	-	-	-	-	268 793
Mdantsane Urban Renewal Project (Mount Ruth Node)	186 550	6 308	-	-	-	192 858
Ikhwezi Block 1 Development	2 898 652	102 616	-	-	-	3 001 268
Mdantsane Upgrade - MD Assessment Study	175 288	-	-	-	-	175 288
Needscamp Planning	189 165	-	-	-	-	189 165
Department of Sports, Recreation, Arts and Culture (DSRAC)	937 253	-	-	-	-	937 253
	208 821	-	-	-	(208 821)	-
Subtotal	6 536 633	151 267	-	-	(407 989)	6 279 911
<b>Other Conditional Grants (2021)</b>	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Buffalo City Metro Transport (BCMET) Funding	487 499	-	-	-	-	487 499
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	748 731	31 387	(442 232)	-	-	337 886
Leiden	84 363	2 983	-	-	-	87 346
Umsobomvu Youth Fund	278 277	10 773	-	-	-	289 050
City of Oldenburg	367 785	492 404	-	-	-	860 189
Subtotal	2 214 681	537 547	(442 232)	-	-	2 309 996
<b>Administrative Grant (2021)</b>	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Land Affairs - West Bank	111 642 189	3 573 359	-	-	-	115 215 548
Land Affairs - East Bank	96 013 865	2 941 426	-	-	-	98 955 291
Subtotal	207 656 054	6 514 785	-	-	-	214 170 839

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	2022	2021 *Restated	2022	2021 *Restated

**16. Unspent conditional grants and receipts (continued)**

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

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

- Other balances relate to ring fenced trust funding projects.

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	2022	2021 *Restated	2022	2021 *Restated
<b>17. Borrowings</b>				
<b>At amortised cost</b>				
Annuity loans	187 994 371	233 184 927	187 994 371	233 184 927
<b>Non-current liabilities</b>				
At amortised cost	138 853 808	187 994 372	138 853 808	187 994 372
<b>Current liabilities</b>				
At amortised cost	49 140 563	45 190 555	49 140 563	45 190 555

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

No terms attached to the borrowings were re-negotiated.

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

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	2022	2021 *Restated	2022	2021 *Restated

**18. Provisions****Reconciliation of provisions - Economic entity - 2022**

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

**Reconciliation of provisions - Economic entity - 2021**

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

**Reconciliation of provisions - Controlling entity - 2022**

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

**Reconciliation of provisions - Controlling entity - 2021**

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

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

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



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	2022	2021 *Restated	2022	2021 *Restated

**18. Provisions (continued)**

Assumptions used:

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

- The valuation for the landfill site provision in 2022 was done by Infratec Consulting (Pty) Ltd, a company which specialises in infrastructure maintenance and operations and municipal services, which includes solid waste collection and disposal. The company registration number is 2015/252711/07 and the SAACE membership number is 30669684.

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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

**19. Financial instruments disclosure****Categories of financial instruments****Economic entity - 2022****Financial assets**

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

**Financial liabilities**

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

**Economic entity - 2021****Financial assets**

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

**Financial liabilities**

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	139 239 675	139 239 675
Payments received in advance	20	-	208 660 908	208 660 908
Borrowings: Other financial liabilities	17	-	233 184 927	233 184 927
Trade and other payables	20	-	939 801 150	939 801 150
Consumer deposits	22	74 226 105	-	74 226 105
Other deposits	20	7 989 736	-	7 989 736
Unspent conditional grants	16	-	267 003 911	267 003 911
		<b>82 215 841</b>	<b>1 787 890 571</b>	<b>1 870 106 412</b>

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

**19. Financial instruments disclosure (continued)****Controlling entity - 2022****Financial assets**

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

**Financial liabilities**

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

**Controlling entity - 2021****Financial assets**

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

**Financial liabilities**

		At fair value	At amortised cost	Total
Accrued leave pay	20	-	139 239 675	139 239 675
Payments received in advance	20	-	208 660 908	208 660 908
Borrowings: Other financial liabilities	17	-	233 184 927	233 184 927
Trade and other payables	20	-	941 784 816	941 784 816
Consumer deposits	22	74 226 105	-	74 226 105
Other deposits	20	7 989 736	-	7 989 736
Unspent conditional grants	16	-	264 698 642	264 698 642
		<b>82 215 841</b>	<b>1 787 568 968</b>	<b>1 869 784 809</b>

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

**21. VAT**

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

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

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

**Description**

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

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

**22. Consumer deposits**

Electricity	49 647 559	46 115 430	49 647 559	46 115 430
Water	30 145 864	28 110 675	30 145 864	28 110 675
	<b>79 793 423</b>	<b>74 226 105</b>	<b>79 793 423</b>	<b>74 226 105</b>

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

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

Guarantees held in lieu of Electricity and Water deposits amounted to R79 793 423 (2021: R74 226 105).

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
<b>23. Revenue</b>				
Service charges	4 312 992 772	3 869 643 522	4 312 992 772	3 869 643 522
Rental of facilities and equipment	21 116 429	24 222 075	21 116 429	24 222 075
Licences and permits (non-exchange)	12 127 953	12 411 425	12 127 953	12 411 425
Total other revenue	89 960 049	105 659 768	89 816 562	105 111 670
Interest received	154 468 720	119 653 827	153 746 938	119 165 691
Property rates	1 733 914 159	1 591 520 430	1 733 914 159	1 591 520 430
Interest, Dividends and Rent on Land	55 177 577	40 197 816	55 177 577	40 197 816
Government grants & subsidies	1 729 702 487	2 271 126 869	1 739 305 650	2 267 813 593
Levies	82 193 719	76 003 320	82 193 719	76 003 320
Public contributions and donations	2 293 545	14 978 941	2 293 545	14 978 941
Fines	12 407 778	16 659 092	12 407 778	16 659 092
Fuel levy	652 199 000	593 337 000	652 199 000	593 337 000
	<b>8 858 554 188</b>	<b>8 735 414 085</b>	<b>8 867 292 082</b>	<b>8 731 064 575</b>

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

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

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

**23. Revenue (continued)**

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

**Taxation revenue**

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

**Transfer revenue**

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

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

**Fines are made up as follows:**

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

Total fines outstanding at 30 June 2022 is R272 165 361 (R261 366 487 : 2021) after eliminating untraceable and collected fines. A probability factor of 15% (16% : 2021) collection of total outstanding fines was calculated resulting in a traffic fines debtor amount of R41 640 169 (R41 818 638 : 2021). Refer to note 12.

The lifespan of traffic fines is as follows:

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

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

**Public contributions and donations**

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

**24. Service charges**

Sale of electricity	2 103 951 344	1 896 526 829	2 103 951 344	1 896 526 829
Sale of water	1 271 864 255	1 170 492 486	1 271 864 255	1 170 492 486
Sewerage and sanitation charges - Non Pans	360 934 063	336 519 214	360 934 063	336 519 214
Sewerage and sanitation charges - Pans	106 606 572	89 388 524	106 606 572	89 388 524
Refuse removal	388 555 132	361 406 794	388 555 132	361 406 794
Other service charges	112 732 892	58 890 208	112 732 892	58 890 208
Less: Income forgone - Sale of water	(29 195 667)	(35 665 872)	(29 195 667)	(35 665 872)
Less: Income forgone - Refuse removal	(2 455 819)	(7 914 661)	(2 455 819)	(7 914 661)
	<b>4 312 992 772</b>	<b>3 869 643 522</b>	<b>4 312 992 772</b>	<b>3 869 643 522</b>

**25. Rental of facilities and equipment****Facilities and equipment**

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

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**Notes to the Audited Consolidated Annual Financial Statements**

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



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**Notes to the Audited Consolidated Annual Financial Statements**

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

**Valuations**

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

The Buffalo City Metropolitan Municipality is required in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) to undertake a General Valuation on land and buildings every 4 years and a supplementary valuation at least once a year. The third general valuation in terms of the MPRA was done in 2017 and the implementation date was 1 July 2018. The valuation date was 1 July 2017.

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

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

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	2022	2021 *Restated	2022	2021 *Restated

**30. Property rates (continued)**

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

- Public Service Purpose
- Public benefit Organisations
- Mining properties

**Tariffs levied: cents in the rand**

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

**Rebates, exclusions and exemptions**

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

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

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

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

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

Constructed public roads	15.0 %	15.0 %
Water supply	22.5 %	22.5 %
Refuse removal service	7.5 %	7.5 %
Electricity supply	15.0 %	15.0 %
Sewerage service	15.0 %	15.0 %
	<b>75.0 %</b>	<b>75.0 %</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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	2022	2021 *Restated	2022	2021 *Restated

**30. Property rates (continued)**

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

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

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

5) Section 17 of the MPRA lists other impermissible rates, where a entity may not levy a rate and the following were applied in the 2020/21 financial year:

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

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

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

**31. Grants and subsidies paid****Other subsidies**

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

**32. Government grants & subsidies****Operating grants**

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

**Capital grants**

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

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	2022	2021 *Restated	2022	2021 *Restated
<b>33. Other revenue - (non-exchange)</b>				
Fire levy	82 373 086	76 003 320	82 373 086	76 003 320
Less: Income forgone - Fire levy	(179 367)	-	(179 367)	-
	<b>82 193 719</b>	<b>76 003 320</b>	<b>82 193 719</b>	<b>76 003 320</b>

**34. Employee related costs**

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

**Remuneration of City Manager**

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

The position is vacant.

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

**Remuneration of Chief Financial Officer**

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

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	2022	2021 *Restated	2022	2021 *Restated
<b>34. Employee related costs (continued)</b>				
<b>Remuneration of HOD: Executive Support Services</b>				
Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	242 766	242 766	242 766	242 766
Allowance	255 166	257 682	255 166	257 682
UIF	2 125	1 813	2 125	1 813
Medical AID	29 477	28 350	29 477	28 350
Pension Contributions	201 765	201 765	201 765	201 765
Group Life	15 978	14 900	15 978	14 900
	<b>1 868 192</b>	<b>1 868 191</b>	<b>1 868 192</b>	<b>1 868 191</b>
<b>Remuneration of HOD: Human Settlements</b>				
Annual Remuneration	1 125 706	1 125 706	1 125 706	1 125 706
Travel Allowance	344 179	344 179	344 179	344 179
Allowance	121 601	123 496	121 601	123 496
UIF	2 125	1 813	2 125	1 813
Medical AID	57 277	57 277	57 277	57 277
Pension Contributions	202 627	202 627	202 627	202 627
Group Life	22 660	21 078	22 660	21 078
	<b>1 876 175</b>	<b>1 876 176</b>	<b>1 876 175</b>	<b>1 876 176</b>
<b>Remuneration of HOD: Corporate Services</b>				
Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	240 000	240 000	240 000	240 000
Allowance	242 217	241 348	242 217	241 348
UIF	2 125	1 813	2 125	1 813
Medical AID	44 356	45 537	44 356	45 537
Pension Contributions	218 578	218 578	218 578	218 578
	<b>1 868 191</b>	<b>1 868 191</b>	<b>1 868 191</b>	<b>1 868 191</b>
<b>Remuneration of HOD: Health, Public Safety &amp; Emergency Services</b>				
Annual Remuneration	1 125 706	1 125 706	1 125 706	1 125 706
Allowance	528 832	529 145	528 832	529 145
UIF	2 125	1 813	2 125	1 813
Pension Contributions	219 513	219 513	219 513	219 513
	<b>1 876 176</b>	<b>1 876 177</b>	<b>1 876 176</b>	<b>1 876 177</b>
<b>Remuneration of HOD: Infrastructure Services</b>				
Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	168 000	168 000	168 000	168 000
Allowance	312 809	315 442	312 809	315 442
UIF	2 125	1 813	2 125	1 813
Medical AID	29 786	28 555	29 786	28 555
Pension Contributions	218 578	218 578	218 578	218 578
Group Life	15 978	14 888	15 978	14 888
	<b>1 868 191</b>	<b>1 868 191</b>	<b>1 868 191</b>	<b>1 868 191</b>

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	2022	2021 *Restated	2022	2021 *Restated

**34. Employee related costs (continued)****Remuneration of HOD: Development and Spatial Planning**

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	192 000	192 000	192 000	192 000
Allowance	294 133	296 404	294 133	296 404
UIF	2 125	1 813	2 125	1 813
Medical AID	29 786	28 555	29 786	28 555
Pension Contributions	218 578	218 578	218 578	218 578
Group Life	10 654	9 926	10 654	9 926
	<b>1 868 191</b>	<b>1 868 191</b>	<b>1 868 191</b>	<b>1 868 191</b>

**Remuneration of HOD: Solid Waste and Environmental Health**

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

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

**Remuneration of HOD: Economic Development & Agencies**

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

**Remuneration of HOD: Sport Recreation & Community Development**

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

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



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	2022	2021 *Restated	2022	2021 *Restated
<b>35. Remuneration of councillors</b>				
Executive Mayor	816 205	842 556	816 205	842 556
Deputy Executive Mayor	646 442	511 548	646 442	511 548
Mayoral Committee Members	6 101 685	6 210 624	6 101 685	6 210 624
Speaker	646 442	670 099	646 442	670 099
Chief Whip	608 938	640 987	608 938	640 987
Councillors salaries	27 719 592	27 046 975	27 719 592	27 046 975
Councillors pension contribution	3 523 615	4 257 309	3 523 615	4 257 309
Councillors housing subsidy	10 333 065	2 596 050	10 333 065	2 596 050
Councillors medical aid	1 666 179	2 490 175	1 666 179	2 490 175
Cellphone Allowance	4 110 473	4 047 651	4 110 473	4 047 651
Travel allowance	8 510 033	14 499 434	8 510 033	14 499 434
Board fees	2 657 361	1 936 260	-	-
	<b>67 340 030</b>	<b>65 749 668</b>	<b>64 682 669</b>	<b>63 813 408</b>

2022	Members fees	Re-imbursive costs	Total
T. Bonakele	306 500	-	306 500
C. Sangqu	308 500	3 319	311 819
T. Godongwana	331 500	-	331 500
B. Canning	212 500	2 037	214 537
L. Njezula	351 500	-	351 500
T. Buswana	445 500	12 874	458 374
S. Booi	380 500	131	380 631
L. Kumbaca	302 500	-	302 500
	<b>2 639 000</b>	<b>18 361</b>	<b>2 657 361</b>

2021	Members fees	Re-imbursive costs	Total
T. Bonakele	238 500	-	238 500
C. Sangqu	228 500	2 388	230 888
T. Godongwana	251 500	429	251 929
B. Canning	177 500	-	177 500
L. Njezula	246 500	605	247 105
T. Buswana	291 500	5 693	297 193
S. Booi	251 500	145	251 645
L. Kumbaca	241 500	-	241 500
	<b>1 927 000</b>	<b>9 260</b>	<b>1 936 260</b>

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	2022	2021 *Restated	2022	2021 *Restated

**35. Remuneration of councillors (continued)****In-kind benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Cost of secretarial support amounts to R26 502 110 (2021: R27 907 313).

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

The Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip each have the use of a Council owned vehicle for official duties. Repairs to the vehicles amounts to R399 297 (2021: R527 267). An amount of R1 103 034 (2021: R853 106) was incurred for hired vehicles.

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

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

**36. Depreciation and amortisation**

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

**37. Finance costs**

Borrowings		20 684 493	25 756 790	20 684 493	25 756 790
Bank		1	48	-	-
		<b>20 684 494</b>	<b>25 756 838</b>	<b>20 684 493</b>	<b>25 756 790</b>

Refer to note 17 Borrowings relating to finance cost.

**38. Debt impairment**

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

**39. Bulk purchases**

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

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

**39. Bulk purchases (continued)****Electricity losses**

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

Total losses amounted to 291 919 493 kWh (2021: 322 625 619 kWh) of which 142 583 689 kWh (2021: 82 082 394 kWh) are technical losses and 149 335 804 kWh (2021: 240 543 225 kWh) are non-technical losses.

The allowable losses (technical around 5% to 6% and non-technical 5% to 6%) total losses should be below 12% as per NERSA, however, a recent cost of supply study calculated the technical losses occurring on the BCMM electricity network at 10% and BCMM are now to question NERSA on their National applied average of 5-6% for technical losses. BCMM has now proven that the technical losses occurring on our network is higher than the applied National average granted by NERSA and the electricity loss split calculation was amended in 2022 to reflect the calculated 10% technical losses.

**Technical Losses:** This type of loss is inherent in any electrical network. Technical losses are maintained within the norm by upgrading, replacing and re-new infrastructure. BCMM has invested a substantial amount of capital into the electrical network. It is calculated that the technical losses are above the applied NERSA standard of 6%. The concluded cost of supply study undertaken in 2022 calculated technical losses on the BCMM electricity network at 10%.

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

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

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

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

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

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	2022	2021 *Restated	2022	2021 *Restated

**39. Bulk purchases (continued)****Water losses**

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

Total losses amounted to 22 824 585 KI (2021: 21 818 438 KI) of which 13 234 625 KI (2021: 11 600 246 KI) are technical losses and 9 589 960 KI (2021: 10 218 192 KI) are non-technical losses.

**Non-technical**

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

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

**Technical**

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

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

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

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

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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Figures in Rand	Economic entity		Controlling entity		
	2022	2021 *Restated	2022	2021 *Restated	
<b>44. (Gain)/Loss on disposal of assets</b>					
(Gain)/Loss on disposal of property, plant and equipment	4	(528 642)	16 625 064	(470 508)	16 622 245
<b>45. Auditors' remuneration</b>					
Fees		23 294 389	21 686 966	22 321 276	20 882 918
<b>46. Deferred tax</b>					
As indicated in the Accounting Policy notes, deferred tax is accounted for in line with IAS 12. Management made an annual assessment and judgement on the recognition of deferred tax in the current year. The decision was that since BCMDA is still heavily dependent on grant income, which is exempt income for Income Tax purposes, with an assessed loss balance, therefore the recognition of deferred tax in the current period would not necessarily be in line with the Accounting Standard. IAS 12 requires that there should be probability of the agency deriving taxable income which would reduce the deferred tax in future. Disclosed below therefore its unrecognised deferred tax asset in respect of both deductible temporary differences and tax losses. The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:					
<b>Unrecognised deferred tax asset</b>					
Deductible temporary differences not recognised as deferred tax assets		506 858	241 491	-	-
Unused tax losses not recognised as deferred tax assets		42 433 472	42 206 047	-	-
		<b>42 940 330</b>	<b>42 447 538</b>	-	-
<b>47. Cash generated from operations</b>					
(Deficit) surplus		(232 681 737)	584 773 184	(233 331 481)	582 369 486
<b>Adjustments for:</b>					
Depreciation and amortisation		1 569 794 105	1 388 863 513	1 568 682 737	1 387 682 113
(Gain)/Loss on sale of assets and liabilities		(528 642)	16 625 064	(470 508)	16 622 245
Income from equity accounted investments		(29 868 763)	26 627 528	(29 868 763)	26 627 528
Fair value adjustments		(15 348 500)	(29 523 248)	(15 348 500)	(29 523 248)
Impairment deficit		3 005	-	-	-
Debt impairment		1 385 422 099	911 740 908	1 385 422 099	911 740 908
Movements in operating lease liability		(31 036)	47 859	-	-
Movements in retirement benefit assets and liabilities		67 661 000	102 398 000	67 661 000	102 398 000
Movements in provisions		59 041 817	44 559 870	51 951 584	37 940 017
Inventory losses or write-downs		488 477	702 379	502 895	689 642
Non-cash adjustments		-	11 860 676	-	11 860 676
<b>Changes in working capital:</b>					
Inventories		(7 603 951)	(3 327 761)	(7 603 951)	(3 327 759)
Receivables from exchange transactions		(1 166 290 571)	1 076 090 780	(1 161 309 000)	1 075 503 128
Receivables from non-exchange transactions		(379 067 162)	(280 109 267)	(379 067 162)	(280 109 267)
Prepayments		(6 832)	(97 604)	-	-
Trade payables from exchange transactions		(208 810 851)	28 664 742	(199 793 698)	32 225 836
Unspent conditional grants and receipts		16 481 431	(264 502 657)	9 606 898	(262 914 560)
Consumer deposits		5 567 318	4 082 656	5 567 318	4 082 656
		<b>1 064 221 207</b>	<b>1 467 295 062</b>	<b>1 062 601 468</b>	<b>1 462 861 145</b>



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	2022	2021 *Restated	2022	2021 *Restated

**48. Operating leases - as lessee (expense)****Minimum lease payments due - Buildings**

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

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

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

No contingent rent is payable.

There were no sublease agreements between BCMM and third parties

**Minimum lease payments due - Printing Machines**

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

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

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

No contingent rent is payable.

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

**49. Commitments****Authorised capital expenditure****Already contracted for but not provided for**

• Community (including housing)	97 736 392	122 852 724	97 736 392	122 852 724
• Infrastructure	266 565 677	265 390 363	266 565 677	265 390 363
• Other	11 155 398	17 638 216	11 155 398	17 638 216
• Annual contracts	11 284 702	24 749 900	11 284 702	24 749 900
	<b>386 742 169</b>	<b>430 631 203</b>	<b>386 742 169</b>	<b>430 631 203</b>

**Total capital commitments**

Already contracted for but not provided for	386 742 169	430 631 203	386 742 169	430 631 203
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**Authorised operational expenditure****Already contracted for but not provided for**

• Proposed East London Beachfront Precinct Project - Court Crescent	8 425 196	48 031 805	-	-
• Proposed Upgrade of Water World	15 804 941	43 664 254	-	-
• Other	26 419 617	26 423 293	-	-
	<b>50 649 754</b>	<b>118 119 352</b>	-	-

**Total operational commitments**

Already contracted for but not provided for	50 649 754	118 119 352	-	-
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This committed expenditure relates to Infrastructure, Community, Property, Plant and Equipment and Annual contracts. Refer to note 4 Property, plant and equipment.

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

The above amounts exclude VAT.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
<b>50. Contingencies</b>				
Litigation issues These are instances whereby legal claims have been instituted against Council by various third parties. Legal advice is sought and Council will defend claims where so advised.	96 055 823	1 224 800 486	96 055 823	1 224 800 486
Labour issues These are instances whereby labour disputes have resulted in possible claims by employees.	29 978 749	18 729 102	29 978 749	18 729 102
Insurance issues These are instances whereby insurance claims have been instituted against Council by various third parties. Advice is sought from Council's insurers whether BCMM is liable. If BCMM is liable, then Council's insurers will determine the settlement amount to be paid. If BCMM is not liable, then Council's insurers will legally defend the matter on Council's behalf.	58 714 260	44 406 592	58 714 260	44 406 592
	<b>184 748 832</b>	<b>1 287 936 180</b>	<b>184 748 832</b>	<b>1 287 936 180</b>

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

**51. Related parties**

Relationships	
Controlled entities	Buffalo City Metropolitan Development Agency SOC Ltd
Associates	Refer to note 7
Members of key management	Refer to note 34 and 35

Buffalo City Metropolitan Development Agency (BCMDA) (a SOC Ltd company registration no 2016/168330/30).

The BCMDA was incorporated on 20 April 2016 as a Municipal Entity of BCMM. BCMDA is 100% controlled by BCMM.

BCMM relationship with BCMDA: Subsidiary - Buffalo City Metropolitan Development Agency (SOC) Ltd.

The entity issued grants of R42 146 535 to BCMDA during the current financial year (2021: R40 139 554) (VAT exclusive).

BCMDA has trade receivables of R38 969 561 (2021: R9 257 544) (VAT inclusive) and trade payables of R0 (2021: R0) which relates to transactions with BCMM.

BCMM reimbursed BCMDA with an amount of R83 219 181 (2021: R80 498 124) (VAT exclusive) for the implementation of the BCMDA East London Beachfront and Water World Project.

Agency fees amounting to R6 657 534 (2021: R6 439 850) (VAT exclusive) were paid to BCMDA for projects implemented and administered on behalf of BCMM.

BCMDA has paid no consumer accounts during the current financial year.

There are no share based payments in respect of BCMDA.

There are no post-employment benefits for key personnel in respect of BCMDA.

BCMM currently receives European funding from the National Treasury GBS allocation. BCMM is currently rolling out the Duncan Village Waste Buy Back Centre through BCMDA as the implementing agent. In the current year under review, an amount of R14 471 816 (2021: R2 569 375) (VAT exclusive) was transferred to BCMDA.

BCMM paid an amount of R3 231 656 (2021: R4 012 433) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2021/22 financial year to the East London IDZ.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

**Key management information - BCMDA**

Class	Description	Number
Non-executive board members	Board of Directors	8
Audit and Risk Committee	Shared with parent municipality	3
Executive management	Agency Management	6
Councillors	Shareholder Representative	1

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

**52. Prior-year adjustments**

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

**Statement of financial position****Accumulated surplus prior to 2020**

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			10 941 049 894	-	10 941 049 894
Various	4	a	-	(45 871 906)	(45 871 906)
			<b>- 10 941 049 894</b>	<b>(45 871 906)</b>	<b>10 895 177 988</b>

**Revaluation reserve**

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			9 460 564 593	-	9 460 564 593
Property, plant and equipment - Various	4	a	-	40 512 741	40 512 741
			<b>- 9 460 564 593</b>	<b>40 512 741</b>	<b>9 501 077 334</b>

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**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
<b>52. Prior-year adjustments (continued)</b>						
<b>Economic entity - 2021</b>						
<b>Detail of Statement of Financial Position</b>	<b>Note</b>	<b>Error reference</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Inventories - General stores	10	b	14 083 974	67 987	-	14 151 961
Property, plant and equipment - Land	4	a	81 658 476	2 820 499	-	84 478 975
Property, plant and equipment - Community buildings	4	a	1 018 453 400	28 566 798	-	1 047 020 198
Property, plant and equipment - Electricity infrastructure	4	a	3 903 094 517	19 815 222	-	3 922 909 739
Property, plant and equipment - Furniture and fixtures	4	a	123 694 965	5 123 521	-	128 818 486
Property, plant and equipment - Motor vehicles	4	a	324 087 560	(651 793)	-	323 435 767
Property, plant and equipment - Other properties	4	a	1 106 069 519	289 033 349	-	1 395 102 868
Property, plant and equipment - Plant and equipment	4	a	45 691 895	14 991 510	-	60 683 405
Property, plant and equipment - Recreational facilities	4	a	253 864 117	8 081 736	-	261 945 853
Property, plant and equipment - Roads	4	a	5 367 197 181	133 901 874	-	5 501 099 055
Property, plant and equipment - Wastewater network	4	a	1 910 251 001	90 032 978	-	2 000 283 979
Property, plant and equipment - Water network	4	a	2 816 346 524	46 369 085	-	2 862 715 609
Property, plant and equipment - WIP	4	a	4 565 464 189	(630 977 461)	-	3 934 486 728
Intangible assets - Software	5	a	12 774 516	235 195	-	13 009 711
Receivables from exchange transactions - Electricity Gross	13	f,g	672 084 070	(7 276 646)	-	664 807 424
Receivables from exchange transactions - Electricity Impairment	13	f,k	(297 661 304)	2 034 414	-	(295 626 890)
Receivables from exchange transactions - Refuse Gross	13	f	524 365 827	(957 218)	-	523 408 609
Receivables from exchange transactions - Refuse Impairment	13	f,k	(224 098 153)	1 531 635	-	(222 566 518)
Receivables from exchange transactions - Wastewater Gross	13	f	433 741 576	8 797 689	-	442 539 265
Receivables from exchange transactions - Wastewater impairment	13	f,k	(203 868 225)	1 393 370	-	(202 474 855)
Receivables from exchange transactions - Water Gross	13	f,g	1 498 986 484	(77 643 875)	-	1 421 342 609
Receivables from exchange transactions - Water Impairment	13	f,k	(1 163 384 593)	4 465 238	-	(1 158 919 355)
Receivables from exchange transactions - Rental debtors	13		-	76 804 503	-	76 804 503
Receivables from exchange transactions - Allowance for impairment - Rental debtors	13		-	(63 285 970)	-	(63 285 970)
Receivables from exchange transactions - VAT Accrual	13		-	(791 032)	209 203 321	208 412 289
Receivables from exchange transactions - VAT Control	13		-	-	40 756 217	40 756 217
Receivables from non-exchange transactions - Allowance for impairment	12	f	(598 033 652)	(152 138 521)	-	(750 172 173)
Receivables from non-exchange transactions - Other receivables (billing)	12	f	297 198 367	(76 874 180)	-	220 324 187

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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
<b>52. Prior-year adjustments (continued)</b>						
Receivables from non-exchange transactions - Property rates Gross	12	e	1 019 684 711	(665 225)	-	1 019 019 486
Trade payables from exchange transactions - Other creditors	20	j	(110 119 425)	(37 886 646)	-	(148 006 071)
Trade payables from exchange transactions - Retention monies	20	d	(91 281 678)	7 619 605	-	(83 662 073)
Trade payables from exchange transactions - Trade payables	20	i	(712 862 466)	4 729 460	-	(708 133 006)
Trade payables from exchange transactions - VAT Accrual	20		-	177 492	(259 901 882)	(259 724 390)
VAT Receivable/(Payable)	21	c	(15 021 047)	5 078 703	9 942 344	-
Unspent conditional grants and receipts	16		(39 385 756)	(4 857 509)	-	(44 243 265)
Revaluation reserve	15	a	(11 562 642 682)	(40 512 741)	-	(11 603 155 423)
Accumulated surplus			(11 603 250 281)	123 299 106	-	(11 479 951 175)



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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
<b>52. Prior-year adjustments (continued)</b>						
<b>Summary of Statement of Financial Position</b>	<b>Note</b>	<b>Error reference</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Inventories	10	b	37 026 311	67 987	-	37 094 298
Prepayments	11		97 604	-	-	97 604
Receivables from non-exchange transactions	12	e	785 494 088	(10 130 077)	-	775 364 011
VAT receivable			-	-	-	-
Receivables from exchange transactions	13	f,k	1 581 450 804	(54 927 893)	249 959 538	1 776 482 449
Cash and cash equivalents	14		1 145 407 278	-	-	1 145 407 278
Investment property	3		436 049 000	-	-	436 049 000
Property, plant and equipment	4	a	21 516 486 490	7 107 318	-	21 523 593 808
Intangible assets	5	a	12 774 516	235 195	-	13 009 711
Heritage assets	6		50 513 440	-	-	50 513 440
Investments in associates	7		676 448 508	-	-	676 448 508
Borrowings	17		(45 190 555)	-	-	(45 190 555)
Operating lease liability	8		(99 404)	-	-	(99 404)
Trade payables from exchange transactions	20	d,j	(1 270 153 888)	(25 360 089)	(259 901 882)	(1 555 415 859)
VAT Payable	21	c	(15 021 047)	5 078 703	9 942 344	-
Consumer deposits	22		(74 226 105)	-	-	(74 226 105)
Employee benefit obligation	9		(25 599 000)	-	-	(25 599 000)
Unspent conditional grants and receipts	16	m	(262 146 402)	(4 857 509)	-	(267 003 911)
Provisions	18		(380 825 457)	-	-	(380 825 457)
Borrowings	17		(187 994 372)	-	-	(187 994 372)
Employee benefit obligation	9		(761 616 000)	-	-	(761 616 000)
Provisions	18		(52 982 846)	-	-	(52 982 846)
Revaluation reserve	15	a	(11 562 642 682)	(40 512 741)	-	(11 603 155 423)
Accumulated surplus			(11 603 250 281)	123 299 106	-	(11 479 951 175)
			-	-	-	-

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	2022	2021 *Restated	2022	2021 *Restated		
<b>52. Prior-year adjustments (continued)</b>						
<b>Statement of financial performance</b>						
<b>Detail of Statement of Financial Performance</b>						
	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Contracted services - Outsourced services - Personnel and labour	40	e	29 915 656	-	110 423	30 026 079
Contracted services - Outsourced services - Beaches	40	e	110 423	-	(110 423)	-
Debt impairment - Contribution to debt impairment - Exchange	38	k	755 579 974	(15 208 795)	-	740 371 179
Depreciation and amortisation - Property, plant and equipment	36	a	1 399 380 859	(13 105 117)	-	1 386 275 742
Employee related cost - Basic emoluments	34	j	1 463 172 316	32 077 730	-	1 495 250 046
Employee related cost - Pension fund contributions	34	j	279 179 734	5 808 918	-	284 988 652
Employee related cost - Other allowances	34		74 281 195	-	(126 000)	74 155 195
Remuneration of councillors - Mayoral Committee Members	35		7 473 795	-	(1 263 171)	6 210 624
Remuneration of councillors - Councillors	35		25 783 804	-	1 263 171	27 046 975
Repairs and maintenance	42	a	385 869 461	1 507 561	-	387 377 022
General expenses - Postage and courier	41	e	9 726 576	-	126 000	9 852 576
General expenses - Other expenses	41		52 893 053	-	(134 725)	52 758 328
General expenses - Advertising	41		14 166 826	-	(76)	14 166 750
General expenses - Travel local	41		6 880 482	-	103 834	6 984 316
General expenses - Lease rental on operating lease	41		37 008 018	-	20 311	37 028 329
General expenses - Motor vehicle expenses	41		8 896 351	-	546	8 896 897
General expenses - Telephone and fax	41		24 240 705	-	10 034	24 250 739
General expenses - Promotions	41		512 768	-	76	512 844
Property rates - Commercial	30	e	(715 134 823)	(1 925 610)	-	(717 060 433)
Property rates - Industrial	30	e	(136 347 716)	143 087	-	(136 204 629)
Property rates - Vacant land	30	e	(58 140 669)	(322 774)	-	(58 463 443)
Service charges - Sale of electricity	24	f	(1 904 160 197)	7 633 368	-	(1 896 526 829)
Service charges - Sale of water	24	f	(1 239 571 344)	69 078 858	-	(1 170 492 486)
Service charges - Sewerage and sanitation charges - Non Pans	24	f	(339 297 852)	2 778 638	-	(336 519 214)
Service charges - Sewerage and sanitation charges - Pans	24	f	(80 076 259)	(9 312 265)	-	(89 388 524)
Service charges - Refuse removal	24	f	(364 764 200)	3 357 406	-	(361 406 794)
Service charges - Less: Income forgone - Sale of water	24	f	36 013 407	(347 535)	-	35 665 872
Service charges - Less income forgone - Refuse	24	f	10 738 447	(2 823 786)	-	7 914 661
Service charges - Less: Income forgone - Sewerage and sanitation charges	24	f	2 663 602	(2 663 602)	-	-
Interest received - Interest charged on trade and other receivables	29	f	(79 222 714)	858 230	-	(78 364 484)
Other revenue - (non-exchange) - Fire levy	33	f	(76 338 917)	335 597	-	(76 003 320)
Other revenue - (non-exchange) - Fire levy - Less income forgone	33	f	357 273	(357 273)	-	-
Public contributions and donations - PPE		a	(10 035 999)	(4 942 942)	-	(14 978 941)
Government grants and subsidies - Government grant (capital: PPE)	32		(1 069 735 518)	4 703 805	-	(1 065 031 713)

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Figures in Rand	Economic entity		Controlling entity			
	2022	2021 *Restated	2022	2021 *Restated		
<b>52. Prior-year adjustments (continued)</b>						
Government grants and subsidies - NDPG Grant - BCMMDA	32	m	(153 704)	153 704	-	-
<b>Surplus for the year</b>		-	-	<b>77 427 203</b>	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

**52. Prior-year adjustments (continued)****Summary of Statement of Financial Performance**

	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	24	f	(3 937 344 604)	67 701 082	-	(3 869 643 522)
Rental of facilities and equipment	25		(24 222 075)	-	-	(24 222 075)
Other revenue - (exchange)	28		(105 659 768)	-	-	(105 659 768)
Interest received	29	f	(120 512 057)	858 230	-	(119 653 827)
Property rates	30	e	(1 589 415 133)	(2 105 297)	-	(1 591 520 430)
Licences and Permits (non-exchange)	26		(12 411 425)	-	-	(12 411 425)
Interest (non-exchange)	27		(40 197 816)	-	-	(40 197 816)
Government grants & subsidies	32	m	(2 275 984 378)	4 857 509	-	(2 271 126 869)
Other revenue - (non-exchange)	33	f	(75 981 644)	(21 676)	-	(76 003 320)
Public contributions and donations - PPE		a	(10 035 999)	(4 942 942)	-	(14 978 941)
Fines			(16 659 092)	-	-	(16 659 092)
Fuel levy			(593 337 000)	-	-	(593 337 000)
Employee related cost	34	j	2 499 375 705	37 886 648	(126 000)	2 537 136 353
Remuneration of councillors	35		65 749 668	-	-	65 749 668
Depreciation and amortisation	36	a	1 401 968 630	(13 105 117)	-	1 388 863 513
Finance costs	37		25 756 838	-	-	25 756 838
Debt Impairment	38	k	926 949 703	(15 208 795)	-	911 740 908
Repairs and maintenance	42	a	385 869 461	1 507 561	-	387 377 022
Bulk purchases	39		1 866 017 126	-	-	1 866 017 126
Contracted services	40		255 206 384	-	-	255 206 384
Grants and subsidies paid	31		61 999 323	-	-	61 999 323
General expenses	41		636 236 043	-	126 000	636 362 043
Loss on disposal of assets			16 625 064	-	-	16 625 064
Fair value adjustments	43		(29 523 248)	-	-	(29 523 248)
Share of surplus of associate			26 627 528	-	-	26 627 528
Inventories losses/write-downs	10		702 379	-	-	702 379
<b>(deficit) Surplus for the year</b>			<b>- (662 200 387)</b>	<b>77 427 203</b>		<b>- (584 773 184)</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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	2022	2021 *Restated	2022	2021 *Restated	
<b>52. Prior-year adjustments (continued)</b>					
<b>Cash flow statement</b>					
<b>Economic entity - 2021</b>					
	Note	Error reference	As previously reported	Correction of error	Restated
Cash flow from operating activities					
Sale of goods and services		I	4 903 452 151	44 783 375	4 948 235 526
Government grants & subsidies		I	2 275 984 378	(269 360 166)	2 006 624 212
Interest income		I	160 709 873	(858 230)	159 851 643
Employee costs & Councillors remuneration		I	(2 565 125 374)	69 036 773	(2 496 088 601)
Suppliers		I	(3 293 426 245)	167 855 365	(3 125 570 880)
Finance costs			(25 756 838)	-	(25 756 838)
			<b>- 1 455 837 945</b>	<b>11 457 117</b>	<b>1 467 295 062</b>
Cash flow from investing activities					
Purchase of property, plant and equipment		I	(1 666 127 558)	(12 519 663)	(1 678 647 221)
Purchase of intangible asset			(387 504)	-	(387 504)
Proceeds from sale of property, plant and equipment		I	36 769 293	1 062 546	37 831 839
			<b>- (1 629 745 769)</b>	<b>(11 457 117)</b>	<b>(1 641 202 886)</b>
Cash flow from financing activities					
Net movement on borrowings			(54 395 605)	-	(54 395 605)

**Other disclosure items**

	Note	Error reference	As previously reported	Correction of error	Restated
Irregular expenditure - Opening balance	58	n	2 518 729 268	365 078 738	2 883 808 006
Irregular expenditure - Additions	58	n	174 785 450	26 220 362	201 005 812
Operating leases - as lessee (expense) - Printing machines	48	o	2 919 096	2 354 675	5 273 771
			<b>2 696 433 814</b>	<b>393 653 775</b>	<b>3 090 087 589</b>

**Explanation of errors**

a) Reclassification of work in progress not recognised as property, plant and equipment by the Municipality in previous financial years due to various project management matters that prevented capitalisation at the time.

b) Inventory write downs were incorrectly captured in the 20/21 financial year. The write downs related to the prior period.

c) During the Financial year 2020/21 SARS conducted VAT Audit iro 2015/03 to 2019/02 tax periods. SARS raised an assessment including interest and penalties i.t.o. Section 31(1) of VAT ACT.

d) During the preparation of the final accounts by the Consultant, they inspected the site to verify all the works to identify discrepancies. In this instance the value of the project was reduced and the final amount was less to what was previously certified, the difference is now recovered from the remaining retention and the contractor will be paid the reduced retention.

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**52. Prior-year adjustments (continued)**

e) The reason for the adjustments is due to changes in property values and categories which were affected through a supplementary valuation. The effective date of these changes was before the year under audit which is 2021/22 financial year.

f) For the 2019/2020 annual financial statements there were adjustments passed in respect of receivables (exchange and non-exchange) including prior period. The adjustments were made only against capital and not VAT as with previous years. Therefore, VAT relating to the capital charges is being adjusted for the 2019/20 (prior period) and 2018/19 (prior prior period).

g) In 2020/21 when the prepayment sales were uploaded the full value was credited to the revenue account. The applicable VAT account was not credited.

h) Prior period billing errors corrected.

i) The reason for the adjustments is due to a duplicate order raised for Mvezo Plant & Civils . It was raised as a system generated accrual in June 2021.

j) The error is in respect of results of the job evaluation process which was undertaken by BCMM with the calculations back dated from 1 July 2015 and payment done in the 2021/22 financial year.

k) Due to the realignment of billed revenue to prior period, this affects the opening balance on Impairment for 2021/2022 and therefore the opening balance was adjusted.

l) The adjustment on cash flow from operating activities and investing activities is a result of all other prior year errors listed in Statement of Financial Position, Statement of Financial Performance and Statement of Changes in Net Assets.

m) Unspent conditional grants were understated, by the release of an amount of R153 000 into revenue, which was incurred by the grant however payment was made from the BCMDA's primary bank account. Subsequently a receivable and a corresponding income entry were recognised to account for the incorrect payment.

n) Being adjustment to irregular expenditure amount disclosed to include VAT as recommended by MFMA Circular No 68, Municipal Finance Management Act No. 56 of 2003 as updated in October 2021

o) The adjustment was due to a replacement of damaged printing machines in the 20/21 financial year which was erroneously omitted for disclosure.

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**52. Prior-year adjustments (continued)****Change in accounting policy**

The entity had a change in accounting policy due to the implementation of GRAP 108.

For the previous 3 years the entity followed the transitional provision granted per Directive 5 of the Reporting Framework. This transitional provision lapsed and the entity implemented GRAP 108 in the current financial year.

The following change in accounting policies occurred:

**Effect of change**

GRAP 108 Statutory receivable.

Items such as property rates and traffic fines were previously accounted for under GRAP 104 Financial Instruments. These are now accounted for using GRAP 108 - refer to note 12 receivables from non-exchange transactions.

VAT payable/receivable previously accounted for under GRAP1 and disclosed on the face of the Statement of Financial Position is now accounted for using GRAP 108. The entity is registered for VAT on the payment basis, therefore the netting off of VAT accruals for debtors and creditors is not allowed. Netting off the VAT payable or receivable to/from SARS is allowed, which is the VAT control account. Refer to note 12 receivables from non-exchange transactions, note 13 receivables from exchange transactions and note 20 trade and other payables from exchange transactions.

Below is a breakdown of the retrospective change in disclosure for VAT payable.

		<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
VAT payable	21	(15 021 047)	5 078 703	9 942 344	-
VAT accrual - creditors	13	-	(791 032)	209 203 321	208 412 289
VAT accrual - debtors	20	-	177 492	(259 901 882)	(259 724 390)
VAT control	13	-	-	40 756 217	40 756 217
		<b>(15 021 047)</b>	<b>4 465 163</b>	<b>-</b>	<b>(10 555 884)</b>

**53. Risk management****Financial risk management**

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk Management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

**Liquidity risk**

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**Controlling entity**



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**53. Risk management (continued)****Credit risk**

Credit risk consists mainly of cash deposits (refer note 14), deteriorating audit outcomes, low collection rates and trade debtors (refer note 12 and 13). The entity only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party, which is in line with Investment regulations and policy on investment.

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	2022	2021 *Restated	2022	2021 *Restated

**53. Risk management (continued)****Market risk****Interest rate risk**

The entity has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk, however all finance charges are on the variable interest rate.

The risk of a decrease in interest rate will place additional pressure to funding operations as a result of less income being realised from interest received and vice versa for finance charges.

**Cash flow interest rate risk**

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.75 %	2 711 782 096	-	-	-	-
Cash in current banking institutions	4.18 %	117 609 355	-	-	-	-
Call Investments deposits	4.18 %	579 757 238	-	-	-	-
Trade and other payables - extended credit terms	4.25 %	869 152 975	-	-	-	-
Long term borrowings	8.77 %	49 140 563	30 246 178	28 813 896	25 085 847	54 707 887

**Sensitivity Analysis of Market Risk**

Effect of a 1% change in the interest rate	Current interest rate	Value at 30 June 2022	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables - normal credit terms	10.75 %	2 711 782 096	2 448 561 712	2 470 872 069	2 426 650 645
Cash in current banking institutions	4.18 %	117 609 355	112 890 531	113 984 643	111 817 223
Call Investments deposits	4.18 %	579 757 238	556 495 717	561 889 163	551 204 828
Trade and other payables - extended credit terms	4.25 %	869 152 975	833 719 880	841 794 649	825 798 551
Short term borrowings	8.77 %	49 140 563	45 178 416	45 597 627	44 766 842
Long term borrowings	8.77 %	138 853 808	127 658 185	128 842 728	126 495 225

The sensitivity analysis was based on the assumption that a 1% increase or decrease in the interest rate could occur.

The method used to prepare the sensitivity analysis was based on the discounted value of the respective cash flow for 1 year using the respective current interest rate in order to determine the effect of applicable market risk of a 1% increase or decrease in the interest rate.

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	2022	2021 *Restated	2022	2021 *Restated

**53. Risk management (continued)****Capital risk management**

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings, cash and cash equivalents and equity.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The entity is in an enviable position of having access to additional long-term facilities in order to invest in the replacement of infrastructure assets.

**54. Going concern**

The audited consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**55. Events after the reporting date**

There are no events after reporting date to be disclosed

**56. Unauthorised expenditure**

Opening balance as previously reported	-	17 649 513	-	17 649 513
<b>Opening balance as restated</b>	-	<b>17 649 513</b>	-	<b>17 649 513</b>
Add: Expenditure identified - current	163 702 130	-	163 702 130	-
Less: Expenditure authorised in terms of section 32 of the MFMA	-	(17 649 513)	-	(17 649 513)
<b>Closing balance</b>	<b>163 702 130</b>	<b>-</b>	<b>163 702 130</b>	<b>-</b>

**The over expenditure incurred by municipal departments during the year is attributable to the following categories:**

Non-cash	163 702 130	-	163 702 130	-
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**Analysed as follows: non-cash**

Debt impairment	163 702 130	-	163 702 130	-
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**The 2022 unauthorised expenditure comprises the following:**

Unauthorised expenditure for 2021/2022 mainly results from a non-cash item that is debt impairment.

The unauthorised expenditure per directorate can mainly be attributed to depreciation, debt impairment and contracted services (legal costs).

There is no unauthorised expenditure regarding the total budgeted amount.

There was no unauthorised expenditure reported in 2021 financial year.

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**56. Unauthorised expenditure (continued)****Unauthorised expenditure: Budget overspending – per directorate:**

Municipal Manager	1 005 770	-	1 005 770	-
Chief Financial Officer	25 208 766	-	25 208 766	-
Spatial planning and Development	1 838 284	-	1 838 284	-
Solid Waste, Environmental & Health Management	272 250	-	272 250	-
	<b>28 325 070</b>	<b>-</b>	<b>28 325 070</b>	<b>-</b>

**57. Fruitless and wasteful expenditure**

Opening balance as previously reported	10 852 831	13 022 784	10 731 676	12 947 312
Add: Fruitless and wasteful expenditure identified - current	6 819	58 973	-	-
Add: Fruitless and wasteful expenditure identified - current year, incurred in the prior period	387 000	-	-	-
Less: Amount recovered - current	(6 819)	(13 290)	-	-
Less: Amount written off - current	-	(2 215 636)	-	(2 215 636)
<b>Closing balance</b>	<b>11 239 831</b>	<b>10 852 831</b>	<b>10 731 676</b>	<b>10 731 676</b>

BCMM has established a Municipal Public Accounts Committee (MPAC) which is constituted by Council to investigate all irregular, fruitless and wasteful expenditure. The MPAC recommends to Council the write off and future actions to be taken in accordance with the provisions in terms of Section 32 of the MFMA.

**Cases under investigation**

Investigations are still in progress regarding 20 cases (2021:21) which relate to interest on late payments and negligence.

**Amounts recoverable**

There are no recoverable amounts.

**Amounts written-off**

There are no amounts written off.

**58. Irregular expenditure**

Opening balance as previously reported	3 085 212 548	2 520 884 797	3 084 813 818	2 518 729 268
Restatement	-	365 078 738	-	365 078 738
<b>Opening balance as restated</b>	<b>3 085 212 548</b>	<b>2 885 963 535</b>	<b>3 084 813 818</b>	<b>2 883 808 006</b>
Add: Irregular Expenditure - current	1 529 971 015	291 115 980	1 442 386 188	201 005 812
Irregular expenditure identified in current year relating to prior years	4 689 793 434	-	4 689 793 434	-
Less: Amount written off - current	(87 983 557)	(91 866 967)	-	-
<b>Closing balance</b>	<b>9 216 993 440</b>	<b>3 085 212 548</b>	<b>9 216 993 440</b>	<b>3 084 813 818</b>

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**58. Irregular expenditure (continued)****Analysis of expenditure awaiting write-off per age classification**

Prior years (Opening balance)	3 085 212 548	2 885 963 535	3 084 813 818	2 883 808 006
Current year	1 529 971 015	291 115 980	1 442 386 188	201 005 812
Irregular expenditure identified in current year relating to prior years	4 689 793 434	-	4 689 793 434	-
Less: Amounts ratified/approved as irrecoverable by council and written off	(87 983 557)	(91 866 967)	-	-
	<b>9 216 993 440</b>	<b>3 085 212 548</b>	<b>9 216 993 440</b>	<b>3 084 813 818</b>

**Details of irregular expenditure**

Procurement made outside SCM regulations	821 657 517	2 468 606	821 657 517	2 468 606
Bid Construction Contracts (BCC)	16 775 532	109 381 097	16 775 532	109 381 097
Annual contracts	54 927 993	74 848 271	54 927 993	74 848 271
Informal contracts	197 495	-	197 495	-
Formal contracts	94 685	331 398	94 685	331 398
3 Quotation System	39 600	-	39 600	-
Suppliers in service of state - Not-declared state employees	-	5 610 448	-	5 610 448
Expired leases	22 889 315	6 171 309	22 889 315	6 171 309
Inadequate rotation on panel contracts	292 615 886	-	292 615 886	-
Capital expenditure from annual contracts	233 188 165	2 194 684	233 188 165	2 194 684
Bid Adjudication Committee - BCMDA	87 584 827	90 110 167	-	-
	<b>1 529 971 015</b>	<b>291 115 980</b>	<b>1 442 386 188</b>	<b>201 005 813</b>

**59. In-kind donations and assistance**

FELZOO donated assistance to BCMM	17 819	9 661	17 819	9 661
FELA donated assistance to BCMM	3 600	3 600	3 600	3 600
Nahoon Point Nature Reserve	54 047	37 273	54 047	37 273
	<b>75 466</b>	<b>50 534</b>	<b>75 466</b>	<b>50 534</b>

The nature of the above In-kind donations and assistance amounts are ad-hoc cash donations which are non-exchange transactions.

**60. Additional disclosure in terms of Municipal Finance Management Act****Contributions to organised local government**

Current year subscription / fee	16 378 276	15 659 900	16 378 276	15 659 900
Amount paid - current year	(16 378 276)	(15 659 900)	(16 378 276)	(15 659 900)
	-	-	-	-

**Contributions to SA Cities Network**

Current year contribution	4 627 270	4 064 221	4 627 270	4 064 221
Amount paid - current year	(4 627 270)	(4 064 221)	(4 627 270)	(4 064 221)
	-	-	-	-

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**60. Additional disclosure in terms of Municipal Finance Management Act (continued)****Audit fees**

Current year subscription / fee	22 321 276	20 882 918	22 321 276	20 882 918
Amount paid - current year	(22 321 276)	(20 882 918)	(22 321 276)	(20 882 918)
	-	-	-	-

**PAYE, UIF and Skills Development Levy**

Opening balance	603 189	530 657	-	-
Current year subscription / fee	426 434 435	391 824 701	420 351 584	386 207 146
Amount paid - current year	(426 448 044)	(391 752 169)	(420 351 584)	(386 207 146)
	<b>589 580</b>	<b>603 189</b>	-	-

Amounts in respect of June 2022 were paid by the 7 July 2022 as per legislation, therefore there were no outstanding amounts for the financial year 2021/22.

**Pension and Medical Aid Deductions**

Opening balance	117 794	122 146	-	-
Current year subscription / fee	618 570 299	595 251 883	616 778 826	593 504 234
Amount paid - current year	(618 553 275)	(595 256 235)	(616 778 826)	(593 504 234)
	<b>134 818</b>	<b>117 794</b>	-	-

Amounts in respect of June 2022 were paid by the 7 July 2022 as per legislation, therefore there were no outstanding amounts for the financial year 2021/22.

**VAT**

VAT payable	8 037 335	10 555 884	8 821 205	11 258 572
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VAT output payables and VAT input receivables are shown in note 21.

All VAT returns have been submitted by the due date throughout the year. VAT is only declared to SARS on receipt of payment from consumers and claimed on payment to suppliers.

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**60. Additional disclosure in terms of Municipal Finance Management Act (continued)****Councillors' arrear consumer accounts**

Arrear Councillors accounts totalling R155 661 were outstanding for more than 90 days at 30 June 2022 (2021 R55 957) for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor. The following amounts represent the total outstanding as at 30 June 2022 Stop orders are in place, whereby a monthly amount is deducted until the balance is settled.

30 June 2022	Outstanding more than 90 days R	Total R
Councillor R. Angelbeck	50 400	50 400
Councillor N. Fishle	53 377	53 377
Councillor M.J. Mashiya	36 492	36 492
Councillor C.N. Matwele	12 205	12 205
Councillor N.E. Tshabe	3 184	3 184
	<b>155 658</b>	<b>155 658</b>

30 June 2021	Outstanding more than 90 days R	Total R
Councillor C.H. Maxegwana	14 369	14 369
Councillor N.P. Matiwane	643	643
Councillor K. Ciliza	1 385	1 385
Councillor V.F. Gcobo	6 856	6 856
Councillor S. Mapuko	32 704	32 704
	<b>55 957</b>	<b>55 957</b>

At year end, officials accounts totalling R8 713 371 (2021: R5 048 405) were outstanding for more than 90 days.

**61. Transitional provisions****Transitional provision for Living and non-living resources****General information**

The entity followed the transitional provision as per Directive 5 of the GRAP Reporting Framework.

All living and non-living resources have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 110.

Some progress has been made towards full compliance with GRAP 110, but it is expected that full compliance will only be reached at the end of the transitional period. The entity intends to comply in full with GRAP 110 by ensuring that, inter alia, all necessary considerations, assessments, calculations and significant judgements are made timeously and effectively, in order to classify and measure Living and non-living resources in accordance with the requirements of the standard.



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**62. Accounting by principals and agents**

The entity is party to principal-agent arrangements.

**Details of the arrangements are as follows:**

Department of Transport

BCMM entered in an agreement with the Department of Transport to collect licence and permit fees and in return BCMM pays these over to the Department of Transport with a 19% retention for BCMM.

The amount retained by BCMM ensures increased revenue collection and is redirected to service delivery.

There are private companies other than BCMM that also offer roadworthy testing of vehicles.

Vehicle licences can be renewed at the Post Office, Provincial Department of Transport and certain Banks offer the same services.

The above mentioned contributes to lesser income being received by BCMM.

Department of Human Settlements

BCMM received a level one accreditation with the Human Settlements Department to erect RDP houses on behalf of the department and to claim back all monies spent.

This ensured that all indigent qualifying persons have housing and that the metro increases service delivery.

The spending of BCMM own funds and claiming these funds back from the department has resulted in a fiscal drain to the metro which has resulted in an amount of R343 million owing to BCMM.

**Municipality as agent****Resources held on behalf of the principals, but recognised in the entity's own financial statements**

No resources are held on behalf of the principals.

**Revenue recognised**

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R11 242 032 (2021: R11 590 099).

**Corresponding rights of reimbursement recognised as assets**

Corresponding rights of reimbursement that have been recognised as assets are R351 483 328 (2021: R341 108 361) Refer to note 13, Accrued income.

**Municipality as principal****Resources (including assets and liabilities) of the entity under the custodianship of the agent**

BCMM received funding through National Treasury GBS funding for the Duncan Village Waste Buy Back Centre. BCMM entered into an agreement with BCMDA to implement the project and on completion, the asset is transferred to BCMM. In this agreement, no project management fees are charged to BCMM. Refer to note 31 Grant and Subsidies Paid and note 48 Related parties, for further details.

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	2022	2021 *Restated	2022	2021 *Restated

**62. Accounting by principals and agents (continued)**

BCMDA is a development agency of the BCMM and has a responsibility to ensure economic development is achieved through its existence to expedite development of the City and participate in job creation through its mandate areas as approved by Council. Through the signed Service Delivery Agreement (SDA), the Agency was allocated recreational projects to implement on behalf of the City. In this arrangement, the BCMDA appointed contractors to commence with the construction at both Water World and Court Crescent. The City retains control of the assets are thus not recorded in BCMDA's accounting records rather the City. Invoices received from the contractors are recorded as expenditure in the Statement of Financial Performance and as liabilities in the statement of Financial Position. Refer to note 31, Grant and Subsidies Paid and note 51 Related parties for further details.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

**63. Segment information****General information****Identification of segments**

The economic entity is organised and reports to management on the basis of 5 major functional areas : Community and public safety, Economic and environmental services, Municipal governance and administration, Trading services and Other. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

**Aggregated segments**

The economic entity operates throughout the Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were sufficiently similar to warrant aggregation.

**Types of goods and/or services by segment**

These reportable segments as well as the goods and/or services for each segment are set out below:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Community and Public Safety	Service or activity that is performed by the Metro for the benefit of the public or its institutions.
Economic and Environmental Services	Helps the Metro to make better decisions by identifying resources, understanding the needs of the public and formulate plans to make the local economy fully functional and investor friendly.
Municipal Governance and Administration	Management, cohesive policies, guidance, processes and decision-rights
Trading Services	Providing a service to customers at a tariff determined to "recover cost".
Other	Tourism promotion & development and Operations of fresh produce market.

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 63. Segment information (continued)

#### Segment surplus or deficit

#### Controlling entity - 2022

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
<b>Revenue</b>						
Service charges	-	-	60 947 589	4 252 045 183	-	4 312 992 772
Rental of facilities and equipment	2 141 290	1 267 506	14 821 128	-	2 886 505	21 116 429
Other revenue (exchange)	11 096 746	38 222 277	8 951 185	6 276 009	25 413 836	89 960 053
Interest received	-	721 782	153 746 939	-	-	154 468 721
Property rates	-	-	1 733 914 161	-	-	1 733 914 161
Licences and permits (non-exchange)	-	11 884 476	-	-	243 477	12 127 953
Interest (non-exchange)	-	-	55 177 577	-	-	55 177 577
Government grants and subsidies	303 414 510	224 424 268	433 711 202	732 407 262	35 745 244	1 729 702 486
Other revenue (non-exchange)	82 193 719	-	-	-	-	82 193 719
Public contributions and donations	-	2 293 545	-	-	-	2 293 545
Fines	24 373	12 383 405	-	-	-	12 407 778
Fuel levy	-	-	652 199 000	-	-	652 199 000
<b>Total segment revenue</b>	<b>398 870 638</b>	<b>291 197 259</b>	<b>3 113 468 781</b>	<b>4 990 728 454</b>	<b>64 289 062</b>	<b>8 858 554 194</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**  
Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
<b>63. Segment information (continued)</b>						
<b>Expenditure</b>						
Employee related cost	(572 689 613)	(501 109 936)	(732 419 155)	(682 910 746)	(44 733 126)	(2 533 862 576)
Remuneration of councillors	-	(2 657 361)	(64 682 668)	-	-	(67 340 029)
Depreciation and amortisation	(93 665 049)	(753 351 083)	(150 986 891)	(571 383 451)	(407 638)	(1 569 794 112)
Finance cost	(1 241 047)	(6 211 237)	(1 566 445)	(11 259 890)	(405 875)	(20 684 494)
Debt impairment	(71 630 751)	-	(248 732 401)	(1 065 058 947)	-	(1 385 422 099)
Repairs and maintenance	(25 590 416)	(123 287 750)	(27 604 014)	(223 280 546)	(1 635 996)	(401 398 722)
Bulk purchases	-	-	-	(2 169 309 617)	-	(2 169 309 617)
Contracted services	(15 900 704)	(25 014 558)	(98 377 238)	(81 249 516)	(4 877 224)	(225 419 240)
Grants and subsidies paid	(11 362 676)	-	(55 339 228)	(142 673)	(3 614 847)	(70 459 424)
General expenses	(102 058 647)	(57 272 743)	(313 854 924)	(194 183 970)	(25 432 762)	(692 803 046)
Loss on disposal of assets	(19 452)	58 134	918 159	(428 199)	-	528 642
Fair value adjustments	-	-	15 348 500	-	-	15 348 500
Share of surplus/(deficit) of associate	-	-	29 868 763	-	-	29 868 763
Inventory losses/write-downs	-	14 418	(502 895)	-	-	(488 477)
<b>Total segment expenditure</b>	<b>(894 158 355)</b>	<b>(1 468 832 116)</b>	<b>(1 647 930 437)</b>	<b>(4 999 207 555)</b>	<b>(81 107 468)</b>	<b>(9 091 235 931)</b>
<b>Total segmental surplus/(deficit)</b>						<b>(232 681 737)</b>
Total Revenue as per Statement of Financial Performance						8 858 554 188
Total Expenditure as per Statement of Financial Performance						(9 136 493 353)
Other items as per Statement of Financial Performance - (also included in expenditure table above)						45 257 428
<b>Economic entity's surplus (deficit) for the period</b>						<b>(232 681 737)</b>

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 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 63. Segment information (continued)

#### Controlling entity - 2021

Revenue	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Service charges	-	-	13 219 578	3 856 423 945	-	3 869 643 523
Rental of facilities and equipment	1 074 834	1 184 782	19 521 336	-	2 441 124	24 222 076
Other revenue (exchange)	12 017 260	38 748 241	21 793 335	8 828 271	24 272 660	105 659 767
Interest received	-	488 136	119 165 690	-	-	119 653 826
Property rates	-	-	1 591 520 430	-	-	1 591 520 430
Licences and permits (non-exchange)	-	12 201 516	-	-	209 910	12 411 426
Interest (non-exchange)	-	-	40 197 816	-	-	40 197 816
Government grants and subsidies	521 596 391	411 225 252	584 568 656	731 963 163	21 773 406	2 271 126 868
Other revenue (non-exchange)	76 003 320	-	-	-	-	76 003 320
Public contributions and donations	-	14 978 941	-	-	-	14 978 941
Fines	11 179	16 647 913	-	-	-	16 659 092
Fuel levy	-	-	593 337 000	-	-	593 337 000
<b>Total segment revenue</b>	<b>610 702 984</b>	<b>495 474 781</b>	<b>2 983 323 841</b>	<b>4 597 215 379</b>	<b>48 697 100</b>	<b>8 735 414 085</b>

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
<b>63. Segment information (continued)</b>						
<b>Expenditure</b>						
Employee related cost	(522 866 243)	(518 820 134)	(757 916 120)	(693 843 693)	(43 690 164)	(2 537 136 354)
Remuneration of councillors	-	(1 936 260)	(63 813 408)	-	-	(65 749 668)
Depreciation and amortisation	(84 373 079)	(698 466 741)	(100 766 724)	(501 052 525)	(4 204 442)	(1 388 863 511)
Finance cost	(1 635 392)	(8 471 347)	(2 124 389)	(12 975 276)	(550 434)	(25 756 838)
Debt impairment	(48 668 316)	-	(111 277 808)	(751 794 784)	-	(911 740 908)
Repairs and maintenance	(20 844 121)	(126 825 796)	(30 274 256)	(208 064 972)	(1 367 873)	(387 377 018)
Bulk purchases	-	-	-	(1 866 017 126)	-	(1 866 017 126)
Contracted services	(8 648 065)	(33 057 647)	(87 298 293)	(122 768 147)	(3 434 233)	(255 206 385)
Grants and subsidies paid	(642 684)	-	(60 303 609)	-	(1 053 030)	(61 999 323)
General expenses	(93 751 945)	(47 952 790)	(278 603 899)	(205 069 788)	(10 983 616)	(636 362 038)
Loss on disposal of assets	(14 727)	(8 784 594)	(6 756 710)	(1 050 526)	(18 516)	(16 625 073)
Fair value adjustments	-	-	29 523 248	-	-	29 523 248
Share of surplus/(deficit) of associate	-	-	(26 627 528)	-	-	(26 627 528)
Inventory losses/write-downs	-	(12 737)	(689 642)	-	-	(702 379)
<b>Total segment expenditure</b>	<b>(781 444 572)</b>	<b>(1 444 328 046)</b>	<b>(1 496 929 138)</b>	<b>(4 362 636 837)</b>	<b>(65 302 308)</b>	<b>(8 150 640 901)</b>
<b>Total segmental surplus</b>						<b>584 773 184</b>
Total Revenue as per Statement of Financial Performance						8 735 414 085
Total Expenditure as per Statement of Financial Performance						(8 136 209 178)
Other items as per Statement of Financial Performance - (also included in expenditure table above)						(14 431 723)
<b>Controlling entity's surplus for the period</b>						<b>584 773 184</b>



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

**63. Segment information (continued)****Information about geographical areas**

The economic entity's operations are in the Eastern Cape Province.

The reason for non-disclosure of geographical areas is because it is considered to be irrelevant for decision making purposes. The municipality's geographical areas of operation are considered as a single geographical area for decision making purposes.

**64. Deviation from supply chain management regulations**

Regulation 36 of the MFMA on Supply Chain Management (SCM) Regulations and clause 36 of the SCM Policy of 2012 states that a SCM Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Regulation 36 states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the unaudited separate annual financial statements.

During the financial year under review goods/services totalling R177 464 201 (2021: R224 164 251) were procured and the process followed in procuring those goods/services deviated from the provisions of the regulations as stated above. The accounting officer approved the deviations from the normal SCM regulations.

**Type of contract**

	No of contracts	Economic entity - 2022	No of contracts	Economic entity - 2022
Emergency	6	37 083 937	6	37 083 937
Sole supplier	13	79 048 687	13	79 048 687
Other exceptional cases	11	61 475 913	9	61 331 577
	<b>30</b>	<b>177 608 537</b>	<b>28</b>	<b>177 464 201</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

**65. Retirement benefit information**

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- L A Retirement Fund
- Cape/Consolidated Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- Municipal Worker's Retirement Fund
- SALA Pension Fund
- Municipal Employees Pension Fund
- Municipal Councillors Pension Fund
- National Fund for Municipal Workers
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- East London Municipal A Band Provident Fund

The LA Retirement Fund's last actuarial valuation was at 30 June 2021 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was in a sound financial condition with a funding level of 102%.

The Consolidated Retirement Fund's last actuarial valuation was at 30 June 2021 conducted by S. Neethling from Momentum Consultants and Actuaries who certified that the fund was in a sound financial position.

The Eastern Cape Local Authorities Provident Fund's last valuation was at 30 June 2021 conducted by E. Du Toit from Alexander Forbes Financial Services, who confirmed that the fund was in a sound financial position. The funding level was at 101.18% at valuation date.

The Government Employees Pension Fund's last valuation was at 31 March 2021 conducted by AR. Pienaar of Alexander Forbes Financial Services who confirmed that the fund was in a sound financial condition.

Municipal Worker's Retirement Fund (previously known as SAMWU National Provident Fund) last actuarial valuation was at 30 June 2020 conducted by E.J. Potgieter and G. Base from Towers Watson (Pty) Ltd. The report stated that the fund was in a sound financial position as at 30 June 2020.

The SALA Pension Fund's last valuation was at 01 July 2021 conducted by J.F. Rosslee of ARGEN Actuarial Solutions. The fund was 85.5% funded as at the current valuation date. The valuator was satisfied with the investment strategy of the fund and the nature of the assets is in his opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund.

The Municipal Employees Pension Fund's last interim valuation was at 28 February 2014 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The report stated that the fund was financially sound and the funding level at this date was 100%

The Municipal Councillors Pension Fund's last valuation was at 30 June 2018 prepared by Mothapo R. and Barnard G.M. from Moruba Consultants and Actuaries. The report stated that the funding level was at 103% at the time of valuation.

The National Fund for Municipal Worker's last Actuarial Valuation was at 30 June 2021 and prepared by G. Grobler from Alexander Forbes Financial Services who confirmed that the fund continues to be able to meet its liabilities.

The East London Municipal A Band and the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contributions funds. It is therefore not necessary to perform an actuarial valuation for these funds.

It is Council's policy to fund 60% of Pensioner's medical aid expenses. The current costs amount to approximately R23,2 million.

An amount of R420.1 million (2021: R400.1 million) was contributed by Council, Councillors' and employees' in respect of Councillor and employee retirement funding. These contributions have been expensed.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated

**66. Bids awarded to family of employees in service of the State**

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to family of an employee in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded in the declaration-of-interest form:

Connected person	Position held in BCMDA	Position held in BCMM	2022	2021
C.C Mandleni		Filing clerk	2 297 749	-
Z. Nkopo		Technician	115 828	-
L. Boya		Communication Officer	2 255 485	1 591 867
M. Mqikela		Skills development	1 032 249	-
S. Mxesibe		Geomatics Technician	-	614 941
C.F. Stoffels		Informal contract	2 723 524	47 246
A. Qwede		Office Manager	42 243	-
H.C. Prince		Administrative officer	340 957	583 407
Z. Gqokoza		Equipment operator	333 385	288 775
S.C. Nkubungu		Project Manager	436 623	362 506
S. Sopazi		Staff accounts	143 092	231 614
Z. Capucapu		Superintendent	-	72 565
Z. Mkwanti		Artisan Assistant	362 907	326 304
K. Somdaka		Office Manager	-	1 173 335
S. Xoki		Chief risk officer	-	55 908
N. Pepani		Admin technician	-	26 044
S. Skepu		Chemical technician	-	181 112
H. Schluter		Program Manager	-	11 339
S. Kweza		Reserve Ranger	-	48 616
A. Fredericks		Senior meter reader	-	38 927
Z. Ndzondo		Bid Secretariat	1 739 238	-
Y. Barley		Intern	-	120 867
B. Nabela		Intern	-	129 360
B.R. Nonkewuse		Supervisor	-	5 626
A. Pepper		Meter Reader	-	68 932
T. Nyati		Secretary	-	101 739
A. Ceba		BCX Director	13 563 133	-
T. Goba		Director	9 453 565	-
J.S.P. Matsebula		Director	968 445	-
K.P. Mfene		Admin clerk	52 200	-
H. Nazir		Teacher	680 000	-
A. Gunyazile		BCMM Councillor	12 745	-
V. Zitumane	BCMDA Board member		4 280 236	3 434 862
			<b>40 833 604</b>	<b>9 515 892</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Consolidated Annual Financial Statements**

Figures in Rand	Economic entity		Controlling entity	
	2022	2021 *Restated	2022	2021 *Restated
<b>67. Cash flows from operating activities</b>				
<b>Sale of goods and services</b>				
Total revenue from Statement of Financial Performance	8 858 554 188	8 735 414 085	8 867 292 082	8 731 064 575
Less: Interest received - (exchange)	29 (154 468 720)	(119 653 827)	(153 746 938)	(119 165 691)
Less: Interest received - (non-exchange)	27 (55 177 577)	(40 197 816)	(55 177 577)	(40 197 816)
Less: Government grants and subsidies	32 (1 729 702 487)	(2 271 126 869)	(1 739 305 650)	(2 267 813 593)
Movement in receivables from exchange transactions	47 (1 166 290 571)	(1 076 090 780)	(1 161 309 000)	(1 075 503 128)
Movement in receivables from non-exchange transactions	47 (379 067 162)	(280 109 267)	(379 067 162)	(280 109 267)
	<b>5 373 847 671</b>	<b>4 948 235 526</b>	<b>5 378 685 755</b>	<b>4 948 275 080</b>
<b>Government grants and subsidies</b>				
Government grants and subsidies	32 1 729 702 487	2 271 126 869	1 739 305 650	2 267 813 593
Movement in unspent conditional grant	47 16 481 431	(264 502 657)	9 606 898	(262 914 560)
	<b>1 746 183 918</b>	<b>2 006 624 212</b>	<b>1 748 912 548</b>	<b>2 004 899 033</b>
<b>Employee costs &amp; Councillors remuneration</b>				
Employee related costs	34 (2 533 862 564)	(2 537 136 353)	(2 510 296 804)	(2 510 542 547)
Councillors remuneration	35 (67 340 030)	(65 749 668)	(64 682 669)	(63 813 408)
Movement in post-retirement medical aid benefit obligation	47 67 661 000	102 398 000	67 661 000	102 398 000
Movement in bonus provision	18 218 095	4 399 420	(86 165)	3 444 836
	<b>(2 533 323 499)</b>	<b>(2 496 088 601)</b>	<b>(2 507 404 638)</b>	<b>(2 468 513 119)</b>
<b>Suppliers</b>				
Total expenditure as per the Statement of Financial Performance	(9 136 493 353)	(8 136 209 178)	(9 145 808 439)	(8 134 278 922)
Less: Employee related costs	34 2 533 862 564	2 537 136 353	2 510 296 804	2 510 542 547
Less: Councillors remuneration	35 67 340 030	65 749 668	64 682 669	63 813 408
Less: Finance costs	37 20 684 494	25 756 838	20 684 493	25 756 790
Less: Depreciation and amortisation	36 1 569 794 105	1 388 863 513	1 568 682 737	1 387 682 113
Less: Impairment deficit	47 3 005	-	-	-
Less: Debt Impairment	38 1 385 422 099	911 740 908	1 385 422 099	911 740 908
Movement in provisions	18 58 823 722	40 160 450	52 037 749	34 495 181
Movement in prepayments	47 (6 832)	(97 604)	-	-
Movement in trade payables from exchange transactions	47 (208 810 851)	28 664 742	(199 793 698)	32 225 836
Movements in operating lease liability	47 (31 036)	47 859	-	-
Movement in inventory	47 (7 603 951)	(3 327 761)	(7 603 951)	(3 327 759)
Movement in consumer deposits	47 5 567 318	4 082 656	5 567 318	4 082 656
Non-cash adjustments	47 -	11 860 676	-	11 860 676
	<b>(3 711 448 686)</b>	<b>(3 125 570 880)</b>	<b>(3 745 832 219)</b>	<b>(3 155 406 566)</b>



# **Audited Annual Financial Statement**

**as at 30 June 2022**



**BUFFALO CITY METROPOLITAN MUNICIPALITY**  
Audited Annual Financial Statements  
for the year ended 30 June 2022

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### General Information

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<b>Legal form of municipality</b>	Municipality
<b>Nature of business and principal activities</b>	Local Government
<b>Jurisdiction</b>	The demarcation board has determined that Buffalo City Metropolitan Municipality (BUF) includes the towns of East London, Bhisho, King William's Town, Berlin as well as the townships of Mdantsane, Gompo, Zwelitsha, Dimbaza, Phakamisa, Ndevana, Ilitha, Ginsberg and the surrounding rural areas.
<b>Mayoral committee</b>	
Executive Mayor	Councillor X.P. Pakati
Deputy Executive Mayor	Councillor P. Faku
Councillors	Councillor N. Mhlola - Human Settlements Councillor N. Maxongo - Spatial Planning & Development Councillor S. Caga - Financial Services Councillor M. Marata - Economic Development & Agencies Councillor A. Mnyute - Community Services Councillor S. Matwele - Health, Public Safety and Emergency Services Councillor M. Mfazwe - Infrastructure Services Councillor G. Lottering - Sport and Community Development Councillor H. Neale-May - Corporate Services
<b>Grading of local authority</b>	Grade 6 Municipality
<b>Acting City Manager / Accounting Officer</b>	Mr. N. Ncunyana
<b>Acting Chief Financial Officer (ACFO)</b>	Mr. A. Xoseka
<b>Business address</b>	Trust Centre Oxford Street East London 5201
<b>Postal address</b>	PO Box 134 East London 5200
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Members of the Audit Committee</b>	Mr. S. Ngqwala (Chairperson) - appointment 04 September 2020 Mr. S. Maharaj (Member) - appointment 04 September 2020 Mr. L. Ngqongwa (Member) - appointment 04 September 2020 Ms. L. Makaza-Hini (Member) - appointment 04 September 2020 Mr. T. Zororo (Member) - appointment 04 September 2020 Ms. T. Maqwati-Naku (Member) - appointment 04 September 2020 Ms. Y. Roboji (Member) - appointment 04 September 2020 - resigned 08 October 2021



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**General Information**

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**Legislation Governing the Municipality**

The Constitution of the Republic of South Africa, 1996  
The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)  
The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)  
The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)  
Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)  
Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007)  
Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)  
Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)  
Division of Revenue Act (Act 1 of 2007)

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

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The reports and statements set out below comprise the audited annual financial statements presented to the Council:

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### Abbreviations used:

BCMDA	Buffalo City Metropolitan Development Agency
DBSA	Development Bank of South Africa
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NERSA	National Energy Regulator of South Africa

## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

### **Accounting Officer's Responsibilities and Approval**

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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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited 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 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 municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality 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 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 municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The audited annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The audited annual financial statements set out on page 5 to 116, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022.

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**Mr. N. Ncunyana**  
**Acting City Manager**

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Statement of Financial Position as at 30 June 2022**

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	44 147 386	37 046 329
Receivables from non-exchange transactions	10	828 130 230	775 364 011
Receivables from exchange transactions	11	1 877 455 684	1 775 267 841
Cash and cash equivalents	12	677 023 479	1 126 078 448
		<b>3 426 756 779</b>	<b>3 713 756 629</b>
<b>Non-Current Assets</b>			
Investment property	3	451 397 500	436 049 000
Property, plant and equipment	4	24 450 274 293	21 521 783 468
Intangible assets	5	10 070 513	11 970 978
Heritage assets	6	50 513 440	50 513 440
Investments in associates	7	706 317 270	676 448 508
		<b>25 668 573 016</b>	<b>22 696 765 394</b>
<b>Total Assets</b>		<b>29 095 329 795</b>	<b>26 410 522 023</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings	15	49 140 563	45 190 555
Trade payables from exchange transactions	18	1 357 270 675	1 557 064 365
Consumer deposits	20	79 793 423	74 226 105
Employee benefit obligation	8	29 148 000	25 599 000
Unspent conditional grants and receipts	14	274 305 540	264 698 642
Provisions	16	377 786 640	378 433 181
		<b>2 167 444 841</b>	<b>2 345 211 848</b>
<b>Non-Current Liabilities</b>			
Borrowings	15	138 853 808	187 994 372
Employee benefit obligation	8	825 728 000	761 616 000
Provisions	16	99 082 969	46 484 844
		<b>1 063 664 777</b>	<b>996 095 216</b>
<b>Total Liabilities</b>		<b>3 231 109 618</b>	<b>3 341 307 064</b>
<b>Net Assets</b>		<b>25 864 220 177</b>	<b>23 069 214 959</b>
Reserves			
Revaluation reserve	13	14 631 492 136	11 603 155 423
Accumulated surplus		11 232 728 041	11 466 059 536
<b>Total Net Assets</b>		<b>25 864 220 177</b>	<b>23 069 214 959</b>

\* See Note 49

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Statement of Financial Performance**

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	4 312 992 772	3 869 643 522
Rental of facilities and equipment	23	21 116 429	24 222 075
Other revenue - (exchange)	26	89 816 562	105 111 670
Interest received	27	153 746 938	119 165 691
<b>Total revenue from exchange transactions</b>		<b>4 577 672 701</b>	<b>4 118 142 958</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	28	1 733 914 159	1 591 520 430
Licences and Permits (non-exchange)	24	12 127 953	12 411 425
Interest (non-exchange)	25	55 177 577	40 197 816
Government grants & subsidies	30	1 739 305 650	2 267 813 593
Other revenue - (non-exchange)	31	82 193 719	76 003 320
Public contributions and donations - PPE	21	2 293 545	14 978 941
Fines	21	12 407 778	16 659 092
Fuel levy	21	652 199 000	593 337 000
<b>Total revenue from non-exchange transactions</b>		<b>4 289 619 381</b>	<b>4 612 921 617</b>
<b>Total revenue</b>	21	<b>8 867 292 082</b>	<b>8 731 064 575</b>
<b>Expenditure</b>			
Employee related costs	32	(2 510 296 804)	(2 510 542 547)
Remuneration of councillors	33	(64 682 669)	(63 813 408)
Depreciation and amortisation	34	(1 568 682 737)	(1 387 682 113)
Finance costs	35	(20 684 493)	(25 756 790)
Debt Impairment	36	(1 385 422 099)	(911 740 908)
Repairs and maintenance	40	(401 389 852)	(386 027 395)
Bulk purchases	37	(2 169 309 617)	(1 866 017 126)
Contracted services	38	(206 806 422)	(241 811 763)
Grants and subsidies paid	29	(127 077 774)	(104 708 255)
General Expenses	39	(691 455 972)	(636 178 617)
<b>Total expenditure</b>		<b>(9 145 808 439)</b>	<b>(8 134 278 922)</b>
<b>Operating surplus/(deficit)</b>		<b>(278 516 357)</b>	<b>596 785 653</b>
Gain/(loss) on disposal of assets	42	470 508	(16 622 245)
Fair value adjustments	41	15 348 500	29 523 248
Share of surpluses or (deficits) from associates	7	29 868 763	(26 627 528)
Inventories write-downs	9	(502 895)	(689 642)
		<b>45 184 876</b>	<b>(14 416 167)</b>
<b>Surplus/(deficit) for the year</b>		<b>(233 331 481)</b>	<b>582 369 486</b>

\* See Note 49

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Statement of Changes in Net Assets**

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	9 460 564 593	10 929 561 937	20 390 126 530
Adjustments			
Prior year adjustments 49	15 172 868	(45 871 906)	(30 699 038)
<b>Balance at 01 July 2020 as restated*</b>	<b>9 475 737 461</b>	<b>10 883 690 031</b>	<b>20 359 427 492</b>
Changes in net assets			
Surplus for the year	-	582 369 486	582 369 486
Revaluation	2 102 078 089	-	2 102 078 089
Prior period error	25 339 873	-	25 339 873
Total changes	2 127 417 962	582 369 486	2 709 787 448
<b>Restated* Balance at 01 July 2021</b>	<b>11 603 155 423</b>	<b>11 466 059 522</b>	<b>23 069 214 945</b>
Changes in net assets			
(Deficit) for the year	-	(233 331 481)	(233 331 481)
Revaluation	3 028 336 713	-	3 028 336 713
Total changes	3 028 336 713	(233 331 481)	2 795 005 232
<b>Balance at 30 June 2022</b>	<b>14 631 492 136</b>	<b>11 232 728 041</b>	<b>25 864 220 177</b>
Note(s)	13	49	

\* See Note 49

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Cash Flow Statement**

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services	64	5 378 685 755	4 948 275 080
Government grants and subsidies	64	1 748 912 548	2 004 899 033
Interest income	25&27	208 924 515	159 363 507
		<u>7 336 522 818</u>	<u>7 112 537 620</u>
<b>Payments</b>			
Employee costs & Councillors remuneration	64	(2 507 404 638)	(2 468 513 119)
Suppliers	64	(3 745 832 219)	(3 155 406 566)
Finance costs	35	(20 684 493)	(25 756 790)
		<u>(6 273 921 350)</u>	<u>(5 649 676 475)</u>
<b>Net cash flows from operating activities</b>	44	<b><u>1 062 601 468</u></b>	<b><u>1 462 861 145</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(1 467 729 861)	(1 677 796 912)
Proceeds from sale of property, plant and equipment	4	1 263 980	37 831 840
<b>Net cash flows from investing activities</b>		<b><u>(1 466 465 881)</u></b>	<b><u>(1 639 965 072)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	15	(45 190 556)	(54 395 605)
<b>Net cash flows from financing activities</b>		<b><u>(45 190 556)</u></b>	<b><u>(54 395 605)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(449 054 969)</b>	<b>(231 499 532)</b>
Cash and cash equivalents at the beginning of the year		1 126 078 448	1 357 577 980
<b>Cash and cash equivalents at the end of the year</b>	12	<b><u>677 023 479</u></b>	<b><u>1 126 078 448</u></b>

\* See Note 49



# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis											
Figures in Rand											
	Original budget	Budget adjustments (i.t.o. s28 and 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
<b>2022</b>											
<b>Financial Performance</b>											
Property rates	1 834 764 190	-	1 834 764 190	-	-	1 834 764 190	1 733 914 159	-	(100 850 031)	95 %	
Service charges	3 978 391 144	4 668 817	3 983 059 961	-	-	3 983 059 961	4 312 992 772	-	329 932 811	108 %	
Investment revenue	36 022 371	(6 000 000)	30 022 371	-	-	30 022 371	32 363 785	-	2 341 414	108 %	
Transfers recognised - operational	1 167 536 525	107 359 434	1 274 895 959	-	-	1 274 895 959	1 052 871 505	-	(222 024 454)	83 %	N1
Other own revenue	1 070 672 083	6 000 000	1 076 672 083	-	-	1 076 672 083	1 063 039 810	-	(13 632 273)	99 %	
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>8 087 386 313</b>	<b>112 028 251</b>	<b>8 199 414 564</b>	-	-	<b>8 199 414 564</b>	<b>8 195 182 031</b>	-	<b>(4 232 533)</b>	<b>100 %</b>	
Employee costs	(2 505 602 981)	(4 931 226)	(2 510 534 207)	-	-	(2 510 534 207)	(2 510 296 804)	-	237 403	100 %	
Remuneration of councillors	(76 549 605)	11 504 891	(65 044 714)	-	-	(65 044 714)	(64 682 669)	-	362 045	99 %	
Debt impairment	(871 973 300)	(349 746 669)	(1 221 719 969)	-	-	(1 221 719 969)	(1 385 422 099)	(163 702 130)	(163 702 130)	113 %	N2
Depreciation and asset impairment	(1 812 938 570)	100 000 000	(1 712 938 570)	-	-	(1 712 938 570)	(1 568 682 737)	-	144 255 833	92 %	
Finance charges	(59 931 525)	39 246 367	(20 685 158)	-	-	(20 685 158)	(20 684 493)	-	665	100 %	
Materials and bulk purchases	(2 445 649 066)	151 689 311	(2 293 959 755)	-	-	(2 293 959 755)	(2 291 433 453)	-	2 526 302	100 %	
Transfers and grants	(161 058 623)	10 427 118	(150 631 505)	-	-	(150 631 505)	(127 077 774)	-	23 553 731	84 %	N3
Other expenditure	(1 316 076 414)	(70 218 043)	(1 386 294 457)	-	-	(1 386 294 457)	(1 178 829 936)	-	207 464 521	85 %	N4
<b>Total expenditure</b>	<b>(9 249 780 084)</b>	<b>(112 028 251)</b>	<b>(9 361 808 335)</b>	-	-	<b>(9 361 808 335)</b>	<b>(9 147 109 965)</b>	<b>(163 702 130)</b>	<b>214 698 370</b>	<b>98 %</b>	
<b>Surplus/(Deficit)</b>	<b>(1 162 393 771)</b>	<b>-</b>	<b>(1 162 393 771)</b>	-	-	<b>(1 162 393 771)</b>	<b>(951 927 934)</b>	<b>(163 702 130)</b>	<b>2 10 465 837</b>	<b>82 %</b>	

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 of the MFMA)	Final adjustments and budget (i.t.o. s28 and budget MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reference
Transfers recognised - capital	732 498 600	(25 239 185)	707 259 415	-	-	707 259 415	686 434 145		(20 825 270)	97 %	
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	2 293 545		2 293 545	- %N5	
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(429 895 171)</b>	<b>(25 239 185)</b>	<b>(455 134 356)</b>	-	-	<b>(455 134 356)</b>	<b>(263 200 244)</b>		<b>191 934 112</b>	<b>58 %</b>	
Share of surplus (deficit) of associate	-	-	-	-	-	-	29 868 763		29 868 763	- %N6	
<b>Surplus/(Deficit) for the year</b>	<b>(429 895 171)</b>	<b>(25 239 185)</b>	<b>(455 134 356)</b>	-	-	<b>(455 134 356)</b>	<b>(233 331 481)</b>		<b>221 802 875</b>	<b>51 %N7</b>	

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments and 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
<b>Capital expenditure and funds sources</b>											
<b>Sources of capital funds</b>											
Transfers recognised - capital	732 498 600	(25 239 185)	707 259 415	-	-	707 259 415	624 463 713		(82 795 702)	88 %	N8
Borrowing	369 714 278	(334 403 278)	35 311 000	-	-	35 311 000	11 727 391		(23 583 609)	33 %	N9
Internally generated funds	700 178 735	154 311 840	854 490 575	-	-	854 490 575	771 692 974		(82 797 601)	90 %	
<b>Total sources of capital funds</b>	<b>1 802 391 613</b>	<b>(205 330 623)</b>	<b>1 597 060 990</b>	-	-	<b>1 597 060 990</b>	<b>1 407 884 078</b>		<b>(189 176 912)</b>	<b>88 %</b>	
<b>Financial position</b>											
<b>Sources of capital funds</b>											
Total current assets	3 453 909 512	(152 011 029)	3 301 898 483	-	-	3 301 898 483	3 426 756 779		124 858 296	104 %	
Total non-current assets	22 637 879 593	(107 330 623)	22 530 548 970	-	-	22 530 548 970	25 668 573 016		3 138 024 046	114 %	N10
Total current liabilities	(1 703 605 525)	(3 455 993)	(1 707 061 518)	-	-	(1 707 061 518)	(2 167 444 841)		(460 383 323)	127 %	N11
Total non-current liabilities	(1 245 727 854)	283 338 745	(962 389 109)	-	-	(962 389 109)	(1 063 664 777)		(101 275 668)	111 %	N12
<b>Community wealth/Equity</b>	<b>23 142 455 726</b>	<b>20 541 100</b>	<b>23 162 996 826</b>	-	-	<b>23 162 996 826</b>	<b>25 864 220 177</b>		<b>2 701 223 351</b>	<b>112 %</b>	

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments and 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
<b>Cash flows</b>											
Net cash from (used) operating	1 419 886 243	226 507 484	1 646 393 727	-	-	1 646 393 727	1 062 601 468		(583 792 259)	65 %	N13
Net cash from (used) investing	(1 802 391 613)	205 330 623	(1 597 060 990)	-	-	(1 597 060 990)	(1 466 465 881)		130 595 109	92 %	
Net cash from (used) financing	318 822 037	(329 023 316)	(10 201 279)	-	-	(10 201 279)	(45 190 556)		(34 989 277)	443 %	N14
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(63 633 333)</b>	<b>102 814 791</b>	<b>39 131 458</b>	-	-	<b>39 131 458</b>	<b>(449 054 969)</b>		<b>(488 186 427)</b>	<b>(1 148)%</b>	
Cash and cash equivalents at the beginning of the year	1 369 320 426	-	1 369 320 426	-	-	1 369 320 426	1 126 078 448		(243 241 978)	82 %	N15
<b>Cash and cash equivalents at year end</b>	<b>1 305 637 093</b>	<b>102 814 791</b>	<b>1 408 451 884</b>	-	-	<b>1 408 451 884</b>	<b>677 023 479</b>		<b>731 428 405</b>	<b>48 %</b>	

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

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Reasons for material variances shown on the Statement of Comparison of Budget and Actual Amounts are detailed below:

N1 - (Transfers recognised - operational) – The variance is caused by revenue for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

N2 (Debt impairment) – The increase in billed debtors from 2021 has resulted in a commensurate increase in non-cash expenditure such as the contribution to debt impairment.

N3 - (Transfers and grants) - This variance is mainly a result of budget allocation to BCMDA and Border Kei Chamber of Business for the implementation of Public Employment Programme, to which only R2.4 million was transferred to them due to delays in the implementation of the programme which resulted in low expenditure.

N4 - (Other expenditure) - The variance is mainly caused by expenditure for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

N5 - (Contributions recognised - capital and contributed assets) – Donated electricity assets and furniture and equipment for Traffic Department and Library.

N6 - (Share of surplus (deficit) of associate) – There was a surplus realised by the East London Industrial Development Zone at 26% share price held by Buffalo City Metropolitan Municipality resulting in R29 898 763 surplus for the year ended June 2022.

N7 - (Surplus/(Deficit) for the year) - The increase in billed debtors from 2021 has resulted in a commensurate increase in non-cash expenditure such as the contribution to debt impairment and depreciation.

N8 - (Transfers recognised – Capital) – the variance is a result of reclaimed vat; the actuals reported are vat exclusive.

N9 - (Borrowing) - The Metro had initially budgeted for the loan funding of the Reeston Tunnel project, however due to delays in finalizing the financing contractual arrangements, this in turn affected the implementation of the project.

N10 - (Total non-current assets) - Revaluation and addition of assets has resulted in increase in the value of assets.

N11 - (Total current liabilities) - The increase is a result of year end accruals that were processed at the end of the year which were significantly higher than the previous year.

N12 - (Total non-current liabilities) - Provision for employee benefits obligations and landfill sites have increased.

N13 - (Net cash from (used) operating) - The variance is mainly due to underperformance on sale of goods and services for 2021/22. Factors contributing to this include the knock of impact of COVID 19, increased unemployment. This continues to hamper collection of revenue for the City.

N14 - (Net cash from (used) financing) - The draw down on the new loan facility did not materialise in 2021/2022 R 35 million. The facility has been allocated to the 2022/2023 MTREF. The budgeted capital repayments are in-line with the 2021/2022 financial year, actual repayments of R 45 million.

N15 - (Cash and cash equivalents at year-end) - The City's' collection rate decreased in the year under review, however, expenditure continued to increase, more specifically on capital expenditure, thus Deeping into the invested reserves.

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1. Presentation of Audited Annual Financial Statements

The audited 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 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 annual financial statements, are disclosed below.

#### 1.1 Going concern assumption

These audited annual financial statements have been prepared based on the expectation that the municipality 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 annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 annual financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the notes to the financial statements per inventory note 9.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

### **Accounting Policies**

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#### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

##### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including i.e. production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

##### **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 16 - Provisions.

##### **Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

##### **Post-retirement benefits**

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality 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 municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post-retirement obligation.

Other key assumptions for post-retirement obligations are based on current market conditions. Additional information is disclosed in Note 8.

##### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

##### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

##### **Cash and non-cash generating assets**

The municipality is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff, although net positive cash flows are achieved from electricity service charges. Management assessed this as immaterial and regards all assets to meet the definition of non-cash generating assets.

#### **1.3 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for



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#### 1.3 Investment property (continued)

- 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 municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

The initial cost of a property interest held under a lease and classified as an investment property has been recognised at the lower of the fair value of the property and the present value of the minimum lease payments.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land, buildings, other properties, community properties, roads, electricity, water and wastewater which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

#### 1.4 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value except for furniture and fittings, which are depreciated using the diminishing balance method at 10% per annum.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30 to 60
Plant and machinery	Straight-line	3 to 30
Furniture and fittings	Diminishing balance	10%
Motor vehicles	Straight-line	4 to 15
Electricity	Straight-line	30 to 60
Community - Buildings	Straight-line	30 to 60
Community - Recreation	Straight-line	15 to 60
Other properties	Straight-line	5 to 60
Roads	Straight-line	5 to 100
Wastewater network	Straight-line	5 to 80
Water network	Straight-line	5 to 150

The Municipality acquires and maintains assets to provide social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than that of certain Plant and Equipment, and Transport assets with significant carrying values. For Plant and Equipment and Transport assets (Above R5000) the residual value and the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised prospectively as a change in accounting estimates in the Statement of Financial Performance.

Motorised plant and machinery are accounted for under motor vehicles, due to the nature of their use.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised and will be classified as revenue. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Servitudes are recognised as a component of property, plant and equipment as it is directly linked to the location and construction of infrastructure assets.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as rehabilitation of landfill site provision. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

#### 1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; 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.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

#### 1.6 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 to 10

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

#### 1.7 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

In terms of Section 39 of the National Heritage Resources Act, 1999 (Act No. 25 of 1999) (NHRA), the South African Heritage Resource Agency (SAHRA) is required to compile and maintain an inventory of the national estate, defined as heritage resources of cultural and other significance. This information is contained in the South African Heritage Resources Information System (SAHRIS) and is available on SAHRA's website.

Not all assets that are designated as heritage assets in terms of the NHRA are classified as a heritage asset in terms of GRAP 103. Buffalo City Metropolitan Municipality assessed the items included in the SAHRIS using the criteria prescribed in GRAP 103 before classifying the assets as a heritage in terms of GRAP 103. The item must meet the definition of a heritage asset in GRAP 103 and the item must not be excluded from the scope of GRAP 103.02. When the heritage asset has more than one purpose, the city determines its primary purpose and treats the asset as Heritage Asset and account for it using GRAP 103 if the primary purpose falls within GRAP 103, even if other purposes can fall under another GRAP standard.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the audited 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 municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

If a municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Accounting Policies**

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**1.7 Heritage assets (continued)****Impairment**

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the heritage asset.

**Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

**Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.8 Interests in other entities

##### Investments in associates

An associate is an entity over which the municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investment, but is not in control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the extent of the municipality's or its municipal entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the municipality is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

The municipality uses the most recent available financial statements of the associate in applying the equity method.

##### Impairment losses

After application of the equity method, including recognising the associate's deficits, the municipality applies the Standard of GRAP on Financial Instruments to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. The municipality also applies the Standard of GRAP on Financial Instruments to determine whether any additional impairment loss is recognised with respect to its interest in the associate that does not constitute part of the net investment and the amount of that impairment loss. Whenever application of the Standard of GRAP on Financial Instruments indicates that the investment in an associate may be impaired, the municipality applies the Standard of GRAP on Impairment of Cash-Generating Assets and/or the Standard of GRAP on Impairment of Non-Cash-Generating Assets.

The recoverable amount of an investment in an associate is assessed, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the municipality.

##### Equity method

On initial recognition, the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the municipality as investor's share of the surplus or deficit of the investee after the date of acquisition. The municipality as investor's share of the investee's surplus or deficit is recognised in the municipality as investor's surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the municipality as investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognised in the investee's surplus or deficit. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The municipality as investor's share of those changes is recognised in net assets of the municipality as investor.

An investment in an associate or a joint venture accounted for using the equity method is classified as a non-current asset.

The municipality with joint control of, or significant influence over, an investee, accounts for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption.



## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.9 Financial instruments

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position and in note 17:

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position and in note 17:

<b>Class</b>	<b>Category</b>
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Accrued leave pay	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Other deposits	Financial liability measured at fair value

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### Accounting Policies

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#### 1.9 Financial instruments (continued)

##### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

##### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

##### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

##### Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

##### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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### Accounting Policies

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#### 1.9 Financial instruments (continued)

##### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

##### Derecognition

###### a) Financial assets

The municipality 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 municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (when the obligation specified in the contract is discharged, cancelled, expires or waived). The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of financial performance. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

##### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in statement of financial performance.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in statement of financial performance.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

#### 1.10 Statutory receivables

##### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another municipality in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.10 Statutory receivables (continued)

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

#### Subsequent measurement

The municipality 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 municipality 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 municipality 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 municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality 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 municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.10 Statutory receivables (continued)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

##### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

##### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### 1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality 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 municipality.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.12 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

At each reporting date a review is carried out to determine whether there are any indications that any assets and non-cash-generating units may be impaired. If such indications exist, the recoverable amounts of the affected assets are determined.

Where the recoverable service amount of an asset is lower than its carrying amount, an impairment loss is recognised in surplus or deficit in respect of assets at historic cost, and recognised in the revaluation reserve in respect of assets at revalued amounts.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality 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 municipality 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 municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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#### 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 municipality 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 municipality 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 municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

##### Re-designation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

#### 1.14 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

The municipality provides short term benefits, long term benefits and retirement benefits for its employees.



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#### 1.14 Employee benefits (continued)

##### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

##### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

##### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (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 63;

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.14 Employee benefits (continued)

##### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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#### 1.14 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the audited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.14 Employee benefits (continued)

##### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality 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 municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating (deficit).

If a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.16 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements differentiating between community, infrastructure and other capital expenditure commitments. (Refer to note 46)

#### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### 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 municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality 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 municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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#### 1.17 Revenue from exchange transactions (continued)

##### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

##### Interest

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

#### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

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#### **1.18 Revenue from non-exchange transactions (continued)**

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Taxes**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

#### **Transfers**

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Debt forgiveness and assumption of liabilities**

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.



## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.18 Revenue from non-exchange transactions (continued)

##### Fines

Fines are economic benefits or service potential received or receivable by the municipality, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Traffic fines are accounted for at a net value based on total outstanding fines calculated using the average of the previous three years less impairment based on a probability collection factor calculated using the average of the previous 5 years.

##### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

##### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### 1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

#### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by a municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.21 Accounting by principals and agents

##### Identification

An agent is a municipality that has been directed by another municipality (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is a municipality that directs another municipality (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one municipality (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another municipality (the principal).

##### Identifying whether a municipality is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another municipality or for its own benefit.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.21 Statutory receivables (continued)

##### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

##### Assessing which municipality benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another municipality, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality 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 municipality 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 municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

##### Recognition

The municipality, 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 municipality, 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 municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

#### 1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

#### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements is recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the municipal Council may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

#### 1.26 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

#### 1.27 Off-setting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

#### 1.29 Budget information

Municipality 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 municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

The budget for the economic municipality includes all the entities approved budgets under its control.

Differences between budget and actual amounts are regarded as material differences when a 10% difference exists. All material differences are explained in the Statement of Comparison of Budget and Actual Amounts to the annual financial statements.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.29 Budget information (continued)

Comparative information is not required.

#### 1.30 Related parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality. (Refer to note 48)

#### 1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 1.32 Value added tax (VAT)

The municipality accounts for value added tax on the payment basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position. (Refer to note 19)

#### 1.33 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### 1.34 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the municipality's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

#### 1.35 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.35 Living and non-living resources (continued)

##### Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the audited annual financial statements.

A living resource is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information is disclosed in the notes to the audited annual financial statements.

Where the municipality holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information is disclosed in the notes to the audited annual financial statements. When the information about the cost or fair value of the living resource becomes available, the municipality recognise, from that date, the living resource and apply the measurement principles.

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised. Refer to note 1.36 for more details in this regard.

#### 1.36 Transitional provisions

##### Transitional provision for Living-and-Non-living Resources

The municipality changed its relating accounting policy in 2021. The change in accounting policy is made in accordance with its transitional provision as per Directive 5 of the GRAP Reporting Framework.

Until such time as the transitional period expires and relating items are recognised and measured in accordance with the requirements of the associated Standard of GRAP, the municipality need not comply with the Standards of GRAP on:

- Living-and-Non-living Resources (GRAP 110)

The municipality will comply with the disclosure requirement of GRAP 110, as and when Living-and-Non-living Resources are classified and measured in accordance with the Standard of GRAP.

##### Due to initial adoption of the GRAP standard

According to the transitional provision, the municipality is not required to change its accounting policy in respect of the classification and measurement of Living-and-Non-living Resources for the reporting periods beginning on a date within 3 years following the date of initial adoption of the specific Standard of GRAP (GRAP 110). The transitional provision expires on 2023/06/30.

Living-and-Non-living Resources is currently accounted for under GRAP 17 Property, plant and equipment.

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

##### **Guideline: Guideline on Accounting for Landfill Sites**

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the standard is not yet set by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

##### **GRAP 25 (as revised): Employee Benefits**

##### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14® ) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

##### **Key amendments to GRAP 25**

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Notes to the Audited Annual Financial Statements

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#### 2. New standards and interpretations (continued)

The effective date of these revisions has not yet been set.

It is unlikely that the revisions will have a material impact on the municipality's audited annual financial statements.

#### **IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction**

##### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board@ has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14@ ) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions has not yet been set.

It is unlikely that the revisions will have a material impact on the municipality's audited annual financial statements.

#### **Guideline: Guideline on the Application of Materiality to Financial Statements**

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.



## BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

### Notes to the Audited Annual Financial Statements

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#### 2. New standards and interpretations (continued)

##### GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is 01/04/2025.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

##### GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

##### Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

##### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

##### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

##### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The effective date of this amendment is for years beginning on or after 01 April 2025.

It is unlikely that the amendment will have a material impact on the municipality's audited annual financial statements.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand 2022 2021  
\*Restated

**3. Investment property**

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	451 397 500	-	451 397 500	436 049 000	-	436 049 000

**Reconciliation of investment property - 2022**

	Opening balance	Fair value adjustments	Total
Investment property	436 049 000	15 348 500	451 397 500

**Reconciliation of investment property - 2021**

	Opening balance	Fair value adjustments	Total
Investment property	406 525 752	29 523 248	436 049 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

No Investment Properties are pledged as a security and there are no restrictions on all the Investment Properties.

The total direct operating expenses for repairs and maintenance on all municipal properties amounts to R403 194 251, (2021: R386 027 395) including repairs and maintenance expenses on investment properties. Refer to repairs and maintenance note 40 and commitments note 46.

Operational expenditure regarding investment property earning rentals and those that are not earning rentals are not available as these expenses pertaining to investment properties are not budgeted for separately on the budget.

Per accounting policy Note 1.3 the municipality is on the fair value (FV) model of measuring Investment Property.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The values were determined jointly by an external property valuer, through the update of the Investment Property. All the properties were individually valued by the Property Valuers and assumptions used are detailed per each property.

Registration details of internal and external valuers involved in the valuation were as follows;  
 Letlaka Ndamase, Professional Valuer (5435/7)

Properties were individually valued using a specific method that is best applicable to each property. The full methodology and assumptions used are available for review to each property certificate.

Rental income from investment properties in respect of monthly and annual leases amounted to R12 736 422, (2021: R16 031 184).

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	84 478 976	-	84 478 976	84 478 975	-	84 478 975
Plant and machinery	167 240 733	(112 856 176)	54 384 557	161 859 176	(101 175 771)	60 683 405
Furniture and fixtures	297 483 478	(184 235 618)	113 247 860	283 512 981	(155 891 689)	127 621 292
Motor vehicles	644 504 121	(343 313 678)	301 190 443	629 059 064	(305 623 297)	323 435 767
Electricity infrastructure	12 638 668 488	(8 258 983 531)	4 379 684 957	11 887 853 770	(7 964 944 031)	3 922 909 739
Other property (halls, social housing)	2 634 724 965	(1 077 453 720)	1 557 271 245	2 398 552 171	(1 003 449 303)	1 395 102 868
Work in progress (WIP)	4 665 269 576	-	4 665 269 576	3 934 486 728	-	3 934 486 728
Recreational facilities	912 884 754	(631 815 232)	281 069 522	859 485 640	(597 539 787)	261 945 853
Roads	15 927 337 763	(9 756 592 711)	6 170 745 052	14 600 667 619	(9 099 568 564)	5 501 099 055
Wastewater network	5 731 500 906	(3 563 817 310)	2 167 683 596	5 445 452 667	(3 445 168 688)	2 000 283 979
Water network	8 268 454 795	(4 761 222 464)	3 507 232 331	7 411 927 812	(4 549 212 203)	2 862 715 609
Community buildings	2 554 606 932	(1 386 590 754)	1 168 016 178	2 337 854 227	(1 290 834 029)	1 047 020 198
<b>Total</b>	<b>54 527 155 487</b>	<b>(30 076 881 194)</b>	<b>24 450 274 293</b>	<b>50 035 190 830</b>	<b>(28 513 407 362)</b>	<b>21 521 783 468</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**  
 Audited Annual Financial Statements for the year ended 30 June 2022  
**Notes to the Audited Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment (continued)**  
**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	84 478 975	-	-	-	-	84 478 975
Plant and machinery	60 683 405	5 451 465	(19 452)	-	(11 730 861)	54 384 557
Furniture and fixtures	127 621 292	14 772 624	(173 000)	-	(28 973 056)	113 247 860
Motor vehicles	323 435 767	15 937 148	(172 821)	-	(38 009 651)	301 190 443
Electricity infrastructure	3 922 909 739	269 745 776	(428 199)	483 806 735	(296 349 094)	4 379 684 957
Other properties (halls, social housing)	1 395 102 868	66 234 732	-	169 938 062	(74 004 417)	1 557 271 245
Work in progress (WIP)	3 934 486 728	730 782 848	-	-	-	4 665 269 576
Recreational facilities	261 945 853	3 643 103	-	49 756 010	(34 275 444)	281 069 522
Roads	5 501 099 055	175 825 538	-	1 150 844 605	(657 024 146)	6 170 745 052
Wastewater network	2 000 283 979	20 686 492	-	265 361 747	(118 648 622)	2 167 683 596
Water network	2 862 715 609	151 257 028	-	705 269 956	(212 010 262)	3 507 232 331
Community buildings	1 047 020 198	13 393 107	-	203 359 598	(95 756 725)	1 168 016 178
	<b>21 521 783 468</b>	<b>1 467 729 861</b>	<b>(793 472)</b>	<b>3 028 336 713</b>	<b>(1 566 782 278)</b>	<b>24 450 274 292</b>

# BUFFALO CITY METROPOLITAN MUNICIPALITY

## Audited Annual Financial Statements for the year ended 30 June 2022

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#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	84 478 975	-	-	-	-	84 478 975
Plant and machinery	35 722 117	32 863 594	(12 914)	4 224	(7 893 616)	60 683 405
Furniture and fixtures	114 698 123	40 068 686	3 278 350	99 756	(30 523 623)	127 621 292
Motor vehicles	294 900 937	75 350 306	(16 610 961)	-	(30 204 515)	323 435 767
Electricity infrastructure	3 535 443 705	222 764 699	(1 045 786)	419 363 753	(253 616 632)	3 922 909 739
Other properties (halls, social housing)	1 040 972 398	366 449 735	(31 958 906)	83 211 626	(63 571 985)	1 395 102 868
Work in progress (WIP)	3 490 957 194	443 529 534	-	-	-	3 934 486 728
Recreational facilities	254 608 718	7 004 267	(8 103 868)	39 314 757	(30 878 021)	261 945 853
Roads	4 853 455 520	366 974 713	-	858 483 663	(577 814 841)	5 501 099 055
Wastewater network	1 843 392 236	42 935 133	-	221 505 239	(107 548 629)	2 000 283 979
Water network	2 633 324 906	51 829 561	-	375 627 493	(198 066 351)	2 862 715 609
Community buildings	974 922 318	28 026 684	-	129 807 452	(85 736 256)	1 047 020 198
	<b>19 156 877 147</b>	<b>1 677 796 912</b>	<b>(54 454 085)</b>	<b>2 127 417 963</b>	<b>(1 385 854 469)</b>	<b>21 521 783 468</b>

##### Proceeds on disposal of Property, plant and equipment

	2022	2021
Carrying value of Property, plant and equipment	793 472	54 454 085
Net gain/(loss) on disposal of assets	42	(16 622 245)
	<b>1 263 980</b>	<b>37 831 840</b>

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 40.

Refer to note 46 for committed expenditure.

The values were determined as 30 June 2022 by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 54357/7. Revaluation methodology is available at BCMM.

There are also no assets that are owned by the City which are held under the service concession agreements, surety arrangements and/or under finance lease where the City is the lessor.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**  
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**4. Property, plant and equipment (continued)**

The following property plant and equipment is in the process of being constructed or developed and is disclosed as part of work-in-progress. Work-in-progress comprises of the following classes of infrastructure.

<b>WIP Categories</b>	<b>2022</b>	<b>2021</b>
Buildings	984 170 551	817 934 958
Community facilities	204 453 897	164 251 360
Electricity	62 796 929	59 265 956
Other assets	201 478 531	134 030 896
Roads	1 907 377 345	1 532 449 401
Sanitation	748 062 092	678 124 615
Water supply	556 930 231	548 429 542
	<b>4 665 269 576</b>	<b>3 934 486 728</b>

The carrying values of all the projects that are taking significantly longer to complete as shown above are included in PPE Note 4 and under WIP. There has been no impairment loss that has been incurred by the City.

<b>Contract</b>	<b>Delay period</b>	<b>Reasons</b>
BCMM/COO/HM/1315/2013	67 months	Illegal occupation on incomplete houses. National Covid-19 lockdowns.
BCMM/COO/HM/1300/2013	75 months	Beneficiary were reluctant to move off the development site. Delays in approvals of general plan.
BCMM/COO/HM/1384/2017	23 months	Late NHBRC approval. Late receipt of subsidy agreement. Contractor cashflow related problems.
BCMM/COO/HM/1299/2013	62 months	Land transfer from Department of Rural Development and Land Reform to BCMM.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**  
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**5. Intangible assets**

	2022		2021			
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Computer software	38 485 598	(28 415 085)	10 070 513	38 485 599	(26 514 621)	11 970 978

**Reconciliation of intangible assets - 2022**

Computer software	Opening balance	Amortisation	Total
	11 970 978	(1 900 465)	10 070 513

**Reconciliation of intangible assets - 2021**

Computer software	Opening balance	Amortisation	Total
	13 798 622	(1 827 644)	11 970 978



# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 6. Heritage assets

	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Monuments	7 398 532	-	7 398 532	7 398 532
Memorials	2 866 049	-	2 866 049	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433	22 198 433
Other Heritage sites	18 050 426	-	18 050 426	18 050 426
<b>Total</b>	<b>50 513 440</b>	<b>-</b>	<b>50 513 440</b>	<b>50 513 440</b>

### Reconciliation of heritage assets 2022

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	<b>50 513 440</b>	<b>50 513 440</b>

### Reconciliation of heritage assets 2021

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	<b>50 513 440</b>	<b>50 513 440</b>

Heritage assets are reviewed annually for impairment. None of the City's Heritage assets are restricted and or pledged as a security.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand		2022	2021			
			*Restated			
<b>7. Investment in associates</b>						
Name	Jurisdiction	Principal activity	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021
East London Industrial Development Zone (Pty)Ltd		Development of East London's Industrial Development Zone.	26.00 %	26.00 %	706 317 270	676 448 508
					706 317 270	676 448 508
					<b>706 317 270</b>	<b>676 448 508</b>

The carrying amounts of associates are shown net of impairment losses.

**Movements in carrying amount**

Opening balance	676 448 508	703 076 035
Share in surplus/(deficit) for the year	29 868 762	(26 627 528)
	<b>706 317 270</b>	<b>676 448 508</b>

Investment in associate at 30 June 2022 amounted to R706 317 272 (2021: R676 448 508).

**Fair value**

Management could not make a reliable estimate of the fair value of the associate as the information to determine the fair value is not readily available. Management however believes that the face value approximates the fair value of the shares.

**Summary of controlled entity's interest in associate**

Total assets	762 187 183	781 408 364
Total liabilities	(55 869 653)	(104 959 598)
Total equity	706 317 270	676 448 508
Share in surplus/(deficit) for the year	29 868 762	(26 627 528)
Surplus - opening balance	676 448 508	703 076 035

The financial statements of East London Industrial Development Zone (Proprietary) Limited have a different year end to BCMM and ELIDZ statements are prepared for the accounting period 01 April 2021 to 31 March 2022.

Per Accounting Policy 1.8, the municipality uses the most recent available financial statement of the associate in applying the equity method. The amounts reflected above are for the period 01 April 2021 - 31 March 2022.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**7. Investment in associates (continued)****Interests in associates****Material associates**

Name of the associate:	East London Industrial Development Zone (Pty)Ltd
Nature of the entity's relationship with the associate:	The development and management of the Special Economic Zone (SEZ) in East London.
Domicile and legal form of the associate:	State owned company
Proportion of ownership interest or participating share held by the entity:	26%
Proportion of voting rights held:	26%
The investment in associate is measured using:	Equity Method

**Summarised financial information for the associate**

Current assets	292 059 699	448 014 147
Non-current assets	2 639 429 465	2 557 402 645
Current liabilities	(214 883 279)	(403 690 765)
Revenue	568 864 498	702 365 286
Expenditure	(453 984 460)	(804 778 857)
Surplus or deficit	114 879 858	(102 413 571)

**8. Employee benefit obligations**

The amounts recognised in the statement of financial position are as follows:

**Carrying value**

Balance at the beginning of the year	787 215 000	684 817 000
Current service cost	53 883 000	41 081 000
Interest cost	95 299 000	62 882 000
Actual employer benefit payments	(52 874 000)	(42 158 000)
Actuarial loss/(gain) recognised in the year	(28 647 000)	40 593 000

<b>854 876 000</b>	<b>787 215 000</b>
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Non-current liabilities	(825 728 000)	(761 616 000)
Current liabilities	(29 148 000)	(25 599 000)

**Net liability**

<b>(854 876 000)</b>	<b>(787 215 000)</b>
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**Net costs**

Current service cost	53 883 000	41 081 000
Interest cost	95 299 000	62 882 000
Actual employer benefit payments	(52 874 000)	(42 158 000)
Actuarial loss/(gains) recognised in the year	(28 647 000)	40 593 000

**Net costs per Statement of Financial Performance**

<b>67 661 000</b>	<b>102 398 000</b>
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**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>8. Employee benefit obligations (continued)</b>		
<b>Post-retirement medical contribution amounts recognised in the statement of financial position</b>		
Balance at the beginning of the year	512 157 000	454 831 000
Current service cost	28 544 000	19 568 000
Interest costs	66 249 000	46 136 000
Actual employer benefit payments	(20 422 000)	(20 009 000)
Actuarial loss/(gain) recognised in the year	(53 053 000)	11 631 000
<b>Net costs per Statement of Financial Performance</b>	<b>533 475 000</b>	<b>512 157 000</b>
<b>Post-retirement medical contribution - Net cost</b>		
Current service cost	28 544 000	19 568 000
Interest costs	66 249 000	46 136 000
Actual employer benefit payments	(20 422 000)	(20 009 000)
Actuarial loss/(gains) recognised in the year	(53 053 000)	11 631 000
	<b>21 318 000</b>	<b>57 326 000</b>

The best estimates for the employer benefit payments in the 2022/23 financial period is expected to be R20 881 000 (The actual employer benefit payments in the 2021/22 financial period was R20 422 000).

The municipality employees contribute to 5 accredited medical aid schemes, namely LA Health, Bonitas, Key Health, SAMWU Med and Hosmed. Pensioners continue on the option they belonged to on the day of their retirement.

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was prepared in July by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.

The municipality opted not to recognise the actuarial loss applying the "Corridor" method.

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary member.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>8. Employee benefit obligations (continued)</b>		
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates	11.82%	8.26%
CPI (Consumer Price Inflation)	8.02%	5.33%
Medical aid contribution inflation	9.52%	6.83%
Net effective discount rate	2.10%	1.34%
Maximum subsidy inflation rate	6.01%	4.73%
Net-of-maximum-subsidy-inflation discount rate	5.34%	3.37%
Continuation of membership at retirement	75.00%	75.00%
Proportion with a spouse dependent at retirement	90.00%	90.00%
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA(90)	PA(90) -1 with a 1% mortality improvement p.a. from 2010
<b>In-service members</b>		
Number of in-service members	3 517	3 622
Average age	46.4	46.0
Average past service	13.6	13.1
Number of spouses	983	1 040
Average current value of post-employment subsidy p.m.	R 2 210	R 1 399
<b>Continuation members</b>		
Number of principal members	496	492
Proportion with a spouse dependent	0.38	0.38
Average age of members	73.6	74.3
Average subsidy per month	R 3 170	R 3 310

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

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**8. Employee benefit obligations (continued)****Sensitivity Results**

The liability at the Valuation Date was recalculated to show the effect of:

- 20% increase/decrease in the assumed level of mortality.
- 1% increase/decrease in the Medical Aid inflation.
- 1% increase/decrease in the Discount Rate.
- 1 year decrease in the Average Retirement Age.
- 10% decrease in the Continuation Rate assumption.

**Mortality rate**

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

The table below illustrates the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%.

	-20% Mortality rate	Valuation assumption	+20% Mortality rate
In-service members	361 012 000	336 761 000	315 926 000
Continuation members	212 973 000	196 714 000	183 543 000
Total accrued liability	573 985 000	533 475 000	499 469 000
Interest cost	68 050 000	63 160 000	59 054 000
Service cost	23 898 000	22 208 000	20 754 000

**Medical aid inflation**

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The table below summarises the effect of a 1% p.a. change in the medical aid inflation assumption.

	-1% Medical aid inflation	Valuation assumption	+1% Medical aid inflation
In-service members	310 570 000	336 761 000	356 072 000
Continuation members	187 418 000	197 714 000	205 014 000
Total accrued liability	497 988 000	533 475 000	561 086 000
Interest cost	58 851 000	63 160 000	66 506 000
Service cost	20 279 000	22 208 000	23 597 000

**Discount rate**

The value of the liability is dependent on the level of the discount rate used to discount the future payments.

The table below summarises the effect of a 1%p.a. change in the discount rate assumption.

	-1% Discount rate	Valuation assumption	+1% Discount rate
In-service members	342 351 000	336 761 000	331 007 000
Continuation members	197 632 000	196 714 000	195 739 000
Total accrued liability	539 983 000	533 475 000	526 746 000
Interest cost	58 546 000	63 160 000	67 611 000
Service cost	22 633 000	22 208 000	21 771 000

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**8. Employee benefit obligations (continued)****Average retirement age**

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

The table below summarises the effect of a one-year decrease in the assumed average retirement age

	1-year decrease	Valuation assumption
In-service members	375 790 000	336 761 000
Continuation members	196 714 000	196 714 000
Total accrued liability	572 504 000	533 475 000
Interest cost	67 797 000	63 160 000
Service cost	23 416 000	22 208 000

**Continuation of membership at retirement**

The liability value is directly dependent on the number of in-service members that continue into retirement.

The table below summarises the effect of a 10% decrease in the continuation rate of in-service members into retirement.

	-10% continuation rate	Valuation assumption
In-service members	291 859 000	336 761 000
Continuation members	196 714 000	196 714 000
Total accrued liability	488 573 000	533 475 000
Interest cost	57 691 000	63 160 000
Service cost	19 247 000	22 208 000

**History of Liabilities, Assets and Experience Adjustments**

The table below summarises the accrued liabilities and the plan assets for the current period and previous periods.

<b>Liability history</b>	<b>30/06/2018</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2021</b>	<b>30/06/2022</b>
Accrued liability	537.975	511.869	454.831	512.157	533.474
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
<b>(Deficit)</b>	<b>(537.975)</b>	<b>(511.869)</b>	<b>(454.831)</b>	<b>(512.157)</b>	<b>(533.474)</b>

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

<b>Experience adjustments</b>	<b>Year ending 30/06/2018</b>	<b>Year ending 30/06/2019</b>	<b>Year ending 30/06/2020</b>	<b>Year ending 30/06/2021</b>	<b>Year ending 30/06/2022</b>
Liabilities: (Gain) / Loss	(1.794)	(3.964)	(12.365)	55.349	50.570
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000



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Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

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**8. Employee benefit obligations (continued)****Long service awards amounts recognised in the statement of financial position**

Balance at the beginning of the year	275 058 000	229 986 000
Current service cost	25 339 000	21 513 000
Interest cost	29 050 000	16 746 000
Actual employer benefit payments	(32 452 000)	(22 149 000)
Actuarial loss recognised in the year	24 406 000	28 962 000
	<b>321 401 000</b>	<b>275 058 000</b>

**Long service awards - Net cost**

Current service cost	25 339 000	21 513 000
Interest costs	29 050 000	16 746 000
Employer benefits vesting	(32 452 000)	(22 149 000)
Actuarial losses recognised in the year	24 406 000	28 962 000
	<b>46 343 000</b>	<b>45 072 000</b>

**Key assumptions used**

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

These interest rates are obtained by first calculating the implied duration of the liabilities and then taking the interest rates that correspond to this implied duration off the yield curves. The implied duration of the liabilities is calculated to be 6.14 years.

**Assumptions used at the reporting date:**

Discount rate	10.52	8.59 %
CPI (Consumer Price Inflation)	7.45	5.58 %
Normal salary increase rate	8.45	6.58 %
Net effective discount rate	1.91	1.89 %

**Sensitivity analysis**

The liability at the Valuation Date was recalculated to show the effect of:

- 20% increase/decrease in the assumed level of withdrawal rates.
- 1% increase/decrease in the Normal Salary cost inflation
- 1% increase/decrease in the Discount Rate.
- 2-year increase/decrease in the Average Retirement Age.

**Withdrawal rate**

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

The table below summarises the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%.

	-20% Withdrawal rate	Valuation assumption	+20% Withdrawal rate
Total accrued liability	333 222 000	321 401 000	310 411 000
Current service cost	28 915 000	27 543 000	26 285 000
Interest cost	39 070 000	37 591 000	36 218 000

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**8. Employee benefit obligations (continued)****Normal salary inflation**

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The table below summarises the effect of a 1% p.a. change in the Normal Salary inflation assumption.

	-1% Normal salary inflation	Valuation assumption	+1% Normal salary inflation
Total accrued liability	304 403 000	321 401 000	339 940 000
Current service cost	25 853 000	27 543 000	29 407 000
Interest cost	35 482 000	37 591 000	39 893 000

**Discount rate**

The cost of the long service awards is dependent on the discount rate used to discount the future expected payments. This discount rate will thus have a direct effect on the liability of future employees.

The table summarises the effect of a 1% p.a. change in the Discount rate assumption.

	-1% Discount rate	Valuation assumption	+1% Discount rate
Total accrued liability	338 226 000	321 401 000	303 405 000
Current service cost	29 400 000	27 543 000	25 830 000
Interest cost	39 689 000	37 591 000	35 112 000

**Average retirement age**

The cost of the long service awards is dependent on the average age at which employees retire as this will affect the amount of benefits the employees may qualify for in the future.

The table below summarises the effect of a 2-year increase and decrease in the Average Retirement Age assumption.

	2 year decrease in Average Retirement Age	Valuation assumption	2 year increase in Average Retirement Age
Total accrued liability	268 943 000	321 401 000	384 108 000
Current service cost	24 295 000	27 543 000	31 099 000
Interest cost	31 197 000	37 591 000	45 215 000

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**8. Employee benefit obligations (continued)****History of Liabilities, Assets and Experience Adjustments**

The table below summarises the accrued liabilities and the plan assets for the current period and the previous two periods.

<b>Liability history</b>	<b>30/06/2018</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2021</b>	<b>30/06/2022</b>
Accrued liability	195.180	216.947	229.986	275.058	321.401
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
<b>(Deficit)</b>	<b>(195.180)</b>	<b>(216.947)</b>	<b>(229.986)</b>	<b>(275.058)</b>	<b>(321.401)</b>

The table below summarises the experience adjustments for the current and previous period. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has occurred.

<b>Experience adjustments</b>	<b>Year ending 30/06/2019</b>	<b>Year ending 30/06/2020</b>	<b>Year ending 30/06/2021</b>	<b>Year ending 30/06/2022</b>
Liabilities: (Gain) / Loss	12 628 230	18 797 262	5 198 000	25 383 000
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000

**9. Inventories**

Electricity store (Electrical maintenance parts)	8 172 313	8 352 201
Workshop store (Mechanical maintenance parts)	433 534	308 099
Water store (Water maintenance parts)	2 668 306	3 210 894
Unsold water (Treated water in pipelines & reservoirs)	13 493 759	11 773 522
General stores (Chiselhurst, Mdantsane, KWT)	19 882 369	14 091 255
	<b>44 650 281</b>	<b>37 735 971</b>
Inventories (write-downs)	(502 895)	(689 642)
	<b>44 147 386</b>	<b>37 046 329</b>

Carrying value of stock is disclosed at the lower of cost and net realisable value.

The inventories (write-downs) amount is in respect of obsolete stock and not due to a change in accounting policy.

Inventory write-downs is included in the Statement of Financial Performance.

**Inventory pledged as security**

No inventory was pledged as security.

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<b>10. Receivables from non-exchange transactions</b>		
Traffic fines	272 165 361	261 366 487
Other receivables (billing)	258 698 310	220 324 187
Other debtors	23 374 620	24 826 024
Property rates	1 281 612 169	1 019 019 486
Allowance for impairment property rates and other receivables billing	(1 007 720 230)	(750 172 173)
	<b>828 130 230</b>	<b>775 364 011</b>
<b>Property rates</b>		
Current (0-30 days)	163 152 823	121 053 587
31-60 days	61 079 493	51 354 487
61-90 days	44 986 263	38 570 987
91-120 days	40 179 794	33 390 949
121-365 days	256 328 710	253 870 083
>365 days	715 885 086	520 779 392
	<b>1 281 612 169</b>	<b>1 019 019 485</b>
<b>Less: Allowance for Impairment - Property Rates</b>		
Current (0-30 days)	(77 909 431)	(52 803 911)
31-60 days	(29 166 940)	(22 400 970)
61-90 days	(21 482 032)	(16 824 772)
91-120 days	(19 186 827)	(14 565 225)
121-365 days	(122 403 178)	(110 738 838)
>365 days	(398 040 395)	(224 415 610)
	<b>(668 188 803)</b>	<b>(441 749 326)</b>
<b>Other Receivables (Billing)</b>		
Current (0-30 days)	10 448 734	12 467 520
31-60 days	5 372 251	4 363 465
61-90 days	5 062 334	3 345 189
91-120 days	4 101 376	3 242 483
121-365 days	30 554 086	33 792 357
>365 days	203 159 529	163 113 173
	<b>258 698 310</b>	<b>220 324 187</b>
<b>Less: Allowance for Impairment - Other Receivables (Billing)</b>		
Current (0-30 days)	(4 394 265)	(4 944 763)
31-60 days	(2 259 325)	(1 773 973)
61-90 days	(2 128 989)	(1 359 991)
91-120 days	(1 724 853)	(1 318 236)
121-365 days	(12 849 667)	(13 738 331)
>365 days	(85 649 135)	(65 739 704)
	<b>(109 006 234)</b>	<b>(88 874 998)</b>
<b>Traffic Fines</b>		
Opening Balance - Total Outstanding Fines (Based on prior 3 years)	261 366 487	188 587 689
Less: Outstanding Fines in respect of prior third year	(71 772 208)	(50 581 458)
Total Traffic Fines Issued BCMM	100 577 050	139 003 423
Traffic Fines withdrawn, untraceable and uncollectable	(5 477 690)	(3 123 100)
Traffic Fines Paid	(12 528 278)	(12 520 066)
Total Outstanding Fines	272 165 361	261 366 487
Impairment (Based on a probability collection factor of approx. % - 2022 and 16% - 2021)	(230 525 193)	(219 547 849)
<b>Traffic Fines Debtor</b>	<b>41 640 168</b>	<b>41 818 638</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>10. Receivables from non-exchange transactions (continued)</b>		
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Property rates - Gross	1 281 612 169	1 019 019 486
Property rates - Impairment	(668 188 803)	(441 749 326)
Traffic fines - Gross	272 165 361	261 366 487
Traffic fines - Impairment	(230 525 193)	(219 547 849)
	<b>655 063 534</b>	<b>619 088 798</b>
<b>Financial asset receivables included in receivables from non-exchange transactions above</b>	<b>173 066 696</b>	<b>156 275 213</b>
<b>Total receivables from non-exchange transactions</b>	<b>828 130 230</b>	<b>775 364 011</b>

**Credit quality of receivables from non-exchange transactions**

The credit quality of trade and other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

**Receivables from non-exchange transactions impaired**

As of 30 June 2022, other receivables from non-exchange transactions of R (777 195 037) (2021: R (530 624 324)) were impaired and provided for.

Amounts totalling R79 730 229 (2021: R77 753 712) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2021: 1%) of the total operating income for the year.

**Reconciliation of provision for impairment of receivables from non-exchange transactions**

Opening balance	(530 624 324)	(445 917 239)
Provision for impairment	(326 300 942)	(162 460 797)
Amounts written off as uncollectible	79 730 229	77 753 712
	<b>(777 195 037)</b>	<b>(530 624 324)</b>

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 36). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or credit enhancements.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>11. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	886 531 402	664 807 424
Water	2 136 005 178	1 421 342 609
Waste water	552 018 170	442 539 265
Refuse	656 493 959	523 408 609
Rental debtors	85 079 713	76 804 503
Accrued income	351 483 328	341 108 361
VAT Accrual	98 447 533	208 355 687
VAT Control	32 623 324	39 774 971
	<b>4 798 682 607</b>	<b>3 718 141 429</b>
<b>Less: Allowance for impairment</b>		
Electricity	(579 445 974)	(295 626 890)
Water	(1 543 828 537)	(1 158 919 355)
Waste water	(341 989 516)	(202 474 855)
Refuse	(387 891 351)	(222 566 518)
Rental debtors	(68 071 545)	(63 285 970)
	<b>(2 921 226 923)</b>	<b>(1 942 873 588)</b>
<b>Net balance</b>		
Electricity	307 085 428	369 180 534
Water	592 176 641	262 423 254
Waste water	210 028 654	240 064 410
Refuse	268 602 608	300 842 091
Rental debtors	17 008 168	13 518 533
Accrued income	351 483 328	341 108 361
VAT Accrual	98 447 533	208 355 687
VAT Control	32 623 324	39 774 971
	<b>1 877 455 684</b>	<b>1 775 267 841</b>
<b>Statutory receivables included in exchange receivables above are as follows:</b>		
VAT Accrual	98 447 533	208 355 687
VAT Control	32 623 324	39 774 971
	<b>131 070 857</b>	<b>248 130 658</b>
<b>Financial asset receivables included in exchange receivables above</b>		
	<b>1 746 384 827</b>	<b>1 527 137 183</b>
<b>Total exchange receivables</b>		
	<b>1 877 455 684</b>	<b>1 775 267 841</b>
<b>Electricity</b>		
Current (0 -30 days)	303 341 437	244 194 992
31 - 60 days	49 643 160	37 450 841
61 - 90 days	39 066 559	24 646 226
91 - 120 days	31 745 479	17 870 966
121 - 365 days	140 204 796	120 484 580
> 365 days	322 529 972	220 159 819
	<b>886 531 403</b>	<b>664 807 424</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**11. Receivables from exchange transactions (continued)****Water**

Current (0 -30 days)	160 884 488	256 074 725
31 - 60 days	72 713 825	69 635 001
61 - 90 days	74 764 270	58 094 001
91 - 120 days	118 094 505	84 992 522
121 - 365 days	707 679 246	572 645 506
> 365 days	1 001 868 844	379 900 854
	<b>2 136 005 178</b>	<b>1 421 342 609</b>

**Waste water**

Current (0 -30 days)	64 685 937	39 741 018
31 - 60 days	20 030 859	16 375 173
61 - 90 days	15 139 517	12 192 211
91 - 120 days	13 099 912	11 272 166
121 - 365 days	89 519 900	115 023 586
> 365 days	349 542 045	247 935 111
	<b>552 018 170</b>	<b>442 539 265</b>

**Refuse**

Current (0 -30 days)	47 905 976	32 855 515
31 - 60 days	21 602 347	25 990 039
61 - 90 days	17 117 739	11 942 484
91 - 120 days	15 378 290	11 152 974
121 - 365 days	115 790 468	134 847 641
> 365 days	438 699 139	306 619 956
	<b>656 493 959</b>	<b>523 408 609</b>

**Rental debtors**

Current (0 -30 days)	3 436 340	4 337 317
31 - 60 days	1 766 805	1 518 003
61 - 90 days	1 664 881	1 163 755
91 - 120 days	1 348 845	1 128 025
121 - 365 days	10 048 511	11 756 000
> 365 days	66 814 331	56 901 403
	<b>85 079 713</b>	<b>76 804 503</b>



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**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	340 433 751	376 216 851
31 - 60 days	151 935 954	138 158 105
61 - 90 days	136 189 217	104 490 176
91 - 120 days	174 109 306	117 636 448
121 - 365 days	1 098 642 525	1 017 836 028
> 365 days	2 546 511 918	1 521 070 835
	<u>4 447 822 671</u>	<u>3 275 408 443</u>
Less: Allowance for impairment	(3 110 561 387)	(2 074 840 161)
	<b><u>1 337 261 284</u></b>	<b><u>1 200 568 282</u></b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	369 007 753	304 241 877
31 - 60 days	69 000 591	56 960 864
61 - 90 days	56 431 768	39 923 638
91 - 120 days	47 314 645	43 275 196
121 - 365 days	242 428 403	219 500 845
> 365 days	538 362 288	365 877 996
	<u>1 322 545 448</u>	<u>1 029 780 416</u>
Less: Allowance for impairment	(587 860 572)	(395 207 650)
	<b><u>734 684 876</u></b>	<b><u>634 572 766</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	44 414 231	30 265 947
31 - 60 days	11 272 195	11 568 041
61 - 90 days	5 180 577	5 541 041
91 - 120 days	2 524 251	2 138 441
121 - 365 days	9 054 789	5 082 882
> 365 days	13 624 740	8 909 500
	<u>86 070 783</u>	<u>63 505 852</u>
<b>Total</b>		
Current (0 -30 days)	753 855 735	710 724 675
31 - 60 days	232 208 740	206 687 009
61 - 90 days	197 801 562	149 954 854
91 - 120 days	223 948 202	163 050 085
121 - 365 days	1 350 125 717	1 242 419 755
> 365 days	3 098 517 426	1 891 576 312
	<u>5 856 457 382</u>	<u>4 364 412 690</u>
Less: Allowance for impairment	(3 698 421 959)	(2 470 047 811)
	<b><u>2 158 035 423</u></b>	<b><u>1 894 364 879</u></b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(461 929 140)	(398 086 502)
31 - 60 days	(142 287 150)	(115 058 192)
61 - 90 days	(121 203 967)	(86 114 026)
91 - 120 days	(137 225 460)	(100 907 184)
121 - 365 days	(827 296 767)	(744 995 722)
> 365 days	(2 008 479 475)	(1 024 886 184)
	<u>(3 698 421 959)</u>	<u>(2 470 047 810)</u>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	89 921 591	91 628 817
<b>Gross debtors and debtors age analysis comparison</b>		
Other Receivables (Billing)	258 698 310	220 324 188
Property Rates	1 281 612 169	1 019 019 486
Electricity	886 531 402	664 807 424
Water	2 136 005 178	1 421 342 609
Waste Water	552 018 170	442 539 265
Refuse	656 493 959	523 408 609
Rental debtors	85 079 713	76 804 503
<b>Debtors age analysis inclusive of VAT</b>	<b>5 856 438 901</b>	<b>4 368 246 084</b>

**Consumer debtors pledged as security**

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any of the accounts receivable.

**Credit quality of consumer debtors**

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

**Consumer debtors impaired**

As of 30 June 2022, consumer debtors of R (2 921 226 923) (2021: R (1 942 873 589)) were impaired and provided for.

Amounts totalling R250 829 875 as of 30 June 2022 (2021: R448 051 132) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2021: 1%) of the total operating income for the year.

**Reconciliation of allowance for impairment of consumer debtors**

Opening balance	(1 942 873 589)	(1 521 584 809)
Allowance for impairment	(1 229 183 209)	(869 339 912)
Amounts written off as uncollectible	250 829 875	448 051 132
	<b>(2 921 226 923)</b>	<b>(1 942 873 589)</b>

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 36). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Refer to note 10 regarding impairment of non-exchange transactions.

In terms of the arrangements to repay rates and services debt as at 30 June 2022, 6350 (2021: 4600) debtors had active outstanding arrangements to the value of R173 504 944 (2021: R128 339 768). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

**Accrued income**

BCMM entered into an agreement with the Health Department for the rendering of Clinic Services in 2009. These services lapsed in 2013 and the services were handed back to the Department of Health.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

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**11. Receivables from exchange transactions (continued)**

This ensured that Clinic services are received on time throughout the Metro.

Currently the Department of Health has faulted on the payment of allocated monies to be paid to BCMM to run those particular services and BCMM has reported this to National Treasury for intervention. BCMM has spent its own funds to ensure the smooth running of the clinics without full payment for the services.

The balance of accrued in income also composes of monies owed by the Provincial Department of Human Settlements for the construction of RDP Housing structures on behalf of the Department. BCMM and the Provincial Department have a level one accreditation agreement for the construction of housing structures, wherein the City uses its own funds in the construction of the said housing and will claim refund upon achieving agreed upon milestones per project.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

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\*Restated

**12. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	86 832	84 607
Bank balances	100 379 409	231 362 158
Short-term deposits	576 557 238	894 631 683
	<b>677 023 479</b>	<b>1 126 078 448</b>

**Allocation of external investments (call and short-term deposits)**

Own funding (operating account commitments)	576 557 238	894 631 683
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**Call and short-term deposits per institution**

Absa (interest rate range 3.55% - 4.35% : 2021 3.30% - 4.35%)	151 629 608	202 363 649
Nedbank (interest rate range 3.30% - 5.35% : 2021 3.30% - 4.21%)	129 230 484	248 667 350
FNB (interest rate range 3.85% - 5.49% : 2021 0 )	141 258 781	-
RMB (interest rate range 3.30% - 3.63% : 2021 3.30% - 3.63%)	23 994 138	198 302 667
Standard Bank (interest rate range 3.30% - 4.25% : 2021 3.30% - 4.25%)	124 194 634	212 655 695
Stanlib (interest rate range 3.30% - 4.02% : 2020 6.1% - 8%)	6 249 593	32 642 322
	<b>576 557 238</b>	<b>894 631 683</b>

There is a significant drop in interest rates between the 2021 and 2022 financial years due to constant interest rate cuts by the SARB MPC.

Own funding includes the insurance and Compensation for Occupational Injuries and Diseases (COID) purposes.

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash. No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

A cession by the Municipality in respect of the Department of Labour for COID amounts to R23 828 947 (2021: R19 824 932)

Refer to note 27 for interest earned on bank and call deposits.

**The municipality had the following bank accounts**

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
STANDARD BANK - Primary Account - 081-166-702	125 512 842	208 860 830	(190 835 642)	208 092 759
STANDARD BANK - Market Account - 081-167-873	634 330	2 186 244	2 630 506	2 751 903
STANDARD BANK - Prism Account - 081-167-776	-	-	288 584 545	20 517 496
STANDARD BANK - Charges Account 081-167-156	-	210	-	-
<b>Total</b>	<b>126 147 172</b>	<b>211 047 284</b>	<b>100 379 409</b>	<b>231 362 158</b>

**13. Revaluation reserve**

Opening balance	11 603 155 423	9 475 737 461
Change during the year	3 028 336 713	2 127 417 962
	<b>14 631 492 136</b>	<b>11 603 155 423</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

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\*Restated

**14. Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

**Unspent conditional grants and receipts**

National Government Grants	45 801 542	41 937 996
Provincial Government Grants	6 448 309	6 279 910
Other Conditional Grants	1 701 676	2 309 897
Administrative Grants	220 354 013	214 170 839
	<b>274 305 540</b>	<b>264 698 642</b>

<b>National Government</b>	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Financial Management Grant (FMG)	50	1 000 000	(923 979)	(76 000)	-	71
Neighbourhood Development Partnership Grant (NDPG)	19 168	13 000 000	-	(11 947 988)	(1 069 081)	2 099
Neighbourhood Development Partnership Grant (NDP) PEP Programme and Project Preparation Support Grant (PPPSG)	-	20 581 000	(2 388 914)	-	-	18 192 086
Electricity Demand: Side Management Grant (EDSM)	273	9 000 000	-	(8 997 172)	-	3 101
Urban Settlement Development Grant (USDG)	32 884 870	499 705 000	(44 421 546)	(393 977 516)	(72 395 465)	21 795 343
Expanded Public Works Programme (EPWP)	87	7 300 000	(7 299 991)	-	-	96
Informal Settlements Upgrading Partnership Grant (ISUPG)	-	238 258 000	(4 114 479)	(212 952 082)	(17 722 366)	3 469 073
Integrated City Development Grant (ICDG)	5 332 549	-	-	-	(5 332 549)	-
Infrastructure Skills Development Grant (ISDG)	3 547 105	10 500 000	(8 118 039)	(118 675)	(3 624 809)	2 185 582
Public Transport Network Grant (PTNG)	153 893	-	-	-	-	153 893
<b>Subtotal</b>	<b>41 937 995</b>	<b>808 285 000</b>	<b>(75 418 626)</b>	<b>(628 069 433)</b>	<b>(100 933 394)</b>	<b>45 801 542</b>
<b>Provincial Government</b>	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission Gompo Survey (DVRI Hydroponics)	1 300 070	1 261 771	-	-	(1 213 065)	1 348 776
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	98 532	-	-	-	-	98 532
Pilot Housing Project	861	-	-	-	-	861
Reeston Development - Land Affairs	268 793	-	-	-	-	268 793
Mdantsane Urban Renewal Project (Mount Ruth Node)	192 858	7 256	-	-	-	200 114
Ikhwezi Block 1 Development	3 001 268	112 437	-	-	-	3 113 705
	175 288	-	-	-	-	175 288

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Figures in Rand			2022	2021		
				*Restated		
<b>14. Unspent conditional grants and receipts (continued)</b>						
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
<b>Subtotal</b>	<b>6 279 910</b>	<b>1 381 464</b>	<b>-</b>	<b>-</b>	<b>(1 213 065)</b>	<b>6 448 309</b>
<b>Other Conditional Grants</b>						
	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Buffalo City Metro Transport (BCMET) Funding	487 499	-	-	(484 546)	-	2 953
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	337 786	19 360	(191 083)	-	-	166 063
Leiden	87 347	3 431	-	-	-	90 778
Umsobomvu Youth Fund	289 050	12 392	-	-	-	301 442
City of Oldenburg	860 189	32 225	-	-	-	892 414
<b>Subtotal</b>	<b>2 309 897</b>	<b>67 408</b>	<b>(191 083)</b>	<b>(484 546)</b>	<b>-</b>	<b>1 701 676</b>
<b>Administrative Grant</b>						
	Unspent balance 2021	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2022
Land Affairs - West Bank	115 215 548	4 265 458	-	-	-	119 481 006
Land Affairs - East Bank	98 955 291	1 917 716	-	-	-	100 873 007
<b>Subtotal</b>	<b>214 170 839</b>	<b>6 183 174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>220 354 013</b>
<b>National Government (2021)</b>						
	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Financial Management Grant (FMG)	26	1 000 000	(988 522)	-	(11 454)	50
Neighbourhood Development Partnership Grant (NDPG)	8 054 828	10 000 000	-	(9 922 505)	(8 113 155)	19 168
Electricity Demand: Side Management Grant (EDSM)	-	6 300 000	-	(6 195 353)	(104 374)	273
Urban Settlement Development Grant (USDG)	223 055 536	887 121 000	(96 925 554)	(880 538 166)	(99 827 946)	32 884 870
Expanded Public Works Programme (EPWP)	(2)	8 449 000	(8 448 911)	-	-	87
Integrated City Development Grant (ICDG)	1 160	8 218 000	(866 207)	(1 756 872)	(263 531)	5 332 550
Infrastructure Skills Development Grant (ISDG)	1 723 212	10 808 000	(7 153 743)	(76 991)	(1 753 374)	3 547 104
Public Transport Network Grant (PTNG)	78 371 174	-	(732 635)	(67 689 540)	(9 795 105)	153 894
<b>Subtotal</b>	<b>311 205 934</b>	<b>931 896 000</b>	<b>(115 115 572)</b>	<b>(966 179 427)</b>	<b>(119 868 939)</b>	<b>41 937 996</b>
<b>Provincial Government (2021)</b>						
	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission	1 257 728	42 343	-	-	-	1 300 071

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand			2022			2021
						*Restated
<b>14. Unspent conditional grants and receipts (continued)</b>						
Gompo Survey (DVRI Hydroponics)	98 532	-	-	-	-	98 532
Rehabilitation of Stoney Drift Landfill Site (DEDEAT)	199 168	-	-	-	(199 168)	-
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - Land Affairs	186 550	6 308	-	-	-	192 858
Mdantsane Urban Renewal Project (Mount Ruth Node)	2 898 652	102 616	-	-	-	3 001 268
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
Department of Sports, Recreation, Arts and Culture (DSRAC)	208 821	-	-	-	(208 821)	-
<b>Subtotal</b>	<b>6 536 633</b>	<b>151 267</b>	<b>-</b>	<b>-</b>	<b>(407 989)</b>	<b>6 279 911</b>
<b>Other Conditional Grants (2021)</b>	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Buffalo City Metro Transport (BCMET) Funding	487 499	-	-	-	-	487 499
Friends of East London Zoo (Felzoo)	248 026	-	-	-	-	248 026
SALAIDA (Gavle)	748 731	31 387	(442 232)	-	-	337 886
Leiden	84 363	2 983	-	-	-	87 346
Umsobomvu Youth Fund	278 277	10 773	-	-	-	289 050
City of Oldenburg	367 785	492 404	-	-	-	860 189
<b>Subtotal</b>	<b>2 214 681</b>	<b>537 547</b>	<b>(442 232)</b>	<b>-</b>	<b>-</b>	<b>2 309 996</b>
<b>Administrative Grant (2021)</b>	Unspent balance 2020	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / VAT transfers	Unspent balance 2021
Land Affairs - West Bank	111 642 189	3 573 359	-	-	-	115 215 548
Land Affairs - East Bank	96 013 865	2 941 426	-	-	-	98 955 291
<b>Subtotal</b>	<b>207 656 054</b>	<b>6 514 785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214 170 839</b>

Though an amount of R274 305 540 is reported as unspent conditional grants, this figure includes the following:

- An amount of R220 354 013 of the unspent conditional grants relates to land affairs grants which BCMM administers on behalf of the Department of Land Affairs and which have not been spent due to slow progress in the restitution processes. BCMM has no control on the spending or use of this funding.

- Other balances relate to ring fenced trust funding projects.



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>15. Borrowings</b>		
<b>At amortised cost</b>		
Annuity loans	187 994 371	233 184 927
<b>Non-current liabilities</b>		
At amortised cost	138 853 808	187 994 372
<b>Current liabilities</b>		
At amortised cost	49 140 563	45 190 555

The municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the borrowings were re-negotiated.

Average interest rate is 8.77% (2021: 9.16%). Refer to note 35 for interest paid on borrowings.

**16. Provisions****Reconciliation of provisions - 2022**

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Landfill sites	365 526 866	52 037 749	-	-	417 564 615
Bonus provision	59 391 159	59 304 994	(54 912 031)	(4 479 128)	59 304 994
	<b>424 918 025</b>	<b>111 342 743</b>	<b>(54 912 031)</b>	<b>(4 479 128)</b>	<b>476 869 609</b>

**Reconciliation of provisions - 2021**

	Opening Balance	Additions	Utilised during the year	Decrease	Total
Landfill sites	331 031 685	34 495 181	-	-	365 526 866
Bonus provision	55 946 323	59 391 159	(54 991 814)	(954 509)	59 391 159
	<b>386 978 008</b>	<b>93 886 340</b>	<b>(54 991 814)</b>	<b>(954 509)</b>	<b>424 918 025</b>

Non-current liabilities	99 082 969	46 484 844
Current liabilities	377 786 640	378 433 181
	<b>476 869 609</b>	<b>424 918 025</b>

With regards to the Provision for Landfill sites it is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoil, vegetating, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used:

- Interest rate used is BCMM's borrowing rate at 8.77% (2021: 9.16%).

- The valuation for the landfill site provision in 2022 was done by Infratec Consulting (Pty) Ltd, a company which specialises in infrastructure maintenance and operations and municipal services, which includes solid waste collection and disposal. The company registration number is 2015/252711/07 and the SAACE membership number is 30669684.

The expense relating to the provision of bonus is included under note 32: Employee related costs.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**17. Financial instruments disclosure****Categories of financial instruments****2022****Financial assets**

		At amortised cost		Total
Trade and other receivables from exchange transactions	11	1 746 384 827		1 746 384 827
Other receivables from non-exchange transactions	10	173 066 696		173 066 696
Cash and cash equivalents	12	677 023 479		677 023 479
		<b>2 596 475 002</b>		<b>2 596 475 002</b>

**Financial liabilities**

		At fair value		At amortised cost		Total
Accrued leave pay	18	-		131 370 112		131 370 112
Payments received in advance	18	-		194 561 464		194 561 464
Borrowings: Other financial liabilities	15	-		187 994 371		187 994 371
Trade and other payables from exchange transactions	18	-		882 993 183		882 993 183
Consumer deposits	20	79 793 423		-		79 793 423
Other deposits	18	8 453 840		-		8 453 840
Unspent conditional grants	14	-		274 305 540		274 305 540
		<b>88 247 263</b>		<b>1 671 224 670</b>		<b>1 759 471 933</b>

**2021****Financial assets**

		At amortised cost		Total
Trade and other receivables from exchange transactions	11	1 527 137 183		1 527 137 183
Other receivables from non-exchange transactions	10	156 275 213		156 275 213
Cash and cash equivalents	12	1 126 078 448		1 126 078 448
		<b>2 809 490 844</b>		<b>2 809 490 844</b>

**Financial liabilities**

		At fair value		At amortised cost		Total
Accrued leave pay	18	-		139 239 675		139 239 675
Payments received in advance	18	-		208 660 908		208 660 908
Borrowings: Other financial liabilities	15	-		233 184 927		233 184 927
Trade and other payables	18	-		941 784 816		941 784 816
Consumer deposits	20	74 226 105		-		74 226 105
Other deposits	18	7 989 736		-		7 989 736
Unspent conditional grants	14	-		264 698 642		264 698 642
		<b>82 215 841</b>		<b>1 787 568 968</b>		<b>1 869 784 809</b>

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**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>18. Trade payables from exchange transactions</b>		
Trade payables	713 579 525	711 727 179
Payments received in advanced	194 561 464	208 660 908
Retention monies	71 709 723	83 662 073
Accrued leave pay	131 370 112	139 239 675
Deposits received	8 453 840	7 989 736
Other creditors	97 703 935	146 395 564
VAT Accrual	139 892 062	259 389 230
	<b>1 357 270 661</b>	<b>1 557 064 365</b>

**19. VAT**

VAT Accrual - creditors	11	98 447 533	208 355 687
VAT Control	11	32 623 324	39 774 971
VAT Accrual - debtors	18	(139 892 062)	(259 389 230)
		<b>(8 821 205)</b>	<b>(11 258 572)</b>

The above VAT payable amount is the net amount of total VAT input R6 413 985 763 (June 2021: R5 860 829 023) less total VAT output R6 853 920 017 (June 2021: R6 134 963 914).

VAT Output includes VAT on impaired debtors of R424 497 953 (2021: R262 876 319)

**Description**

VAT on impaired debtors	431 113 049	262 876 319
Output VAT	(6 853 920 017)	(6 134 963 914)
Input VAT	(6 422 806 968)	(5 872 087 595)
	6 413 985 763	5 860 829 023
	<b>(8 821 205)</b>	<b>(11 258 572)</b>

The municipality is registered on the payment basis. VAT is declared to SARS on receipt of payments from customers and claimed once payment is made to suppliers.

**20. Consumer deposits**

Electricity	49 647 559	46 115 430
Water	30 145 864	28 110 675
	<b>79 793 423</b>	<b>74 226 105</b>

The amounts reflected represent a cost value which is viewed to be the approximate fair value.

The consumer deposits are reflected at nominal value as they are utilised as part of the settlement of final consumer accounts.

Guarantees held in lieu of Electricity and Water deposits amounted to R79 793 423 (2021: R74 226 105).

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>21. Revenue</b>		
Service charges	4 312 992 772	3 869 643 522
Rental of facilities and equipment	21 116 429	24 222 075
Licences and permits (non-exchange)	12 127 953	12 411 425
Total other revenue	89 816 562	105 111 670
Interest received	153 746 938	119 165 691
Property rates	1 733 914 159	1 591 520 430
Interest, Dividends and Rent on Land	55 177 577	40 197 816
Government grants & subsidies	1 739 305 650	2 267 813 593
Levies	82 193 719	76 003 320
Public contributions and donations	2 293 545	14 978 941
Fines	12 407 778	16 659 092
Fuel levy	652 199 000	593 337 000
	<b>8 867 292 082</b>	<b>8 731 064 575</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	4 312 992 772	3 869 643 522
Rental of facilities and equipment	21 116 429	24 222 075
Total other revenue	89 816 562	105 111 670
Interest received	153 746 938	119 165 691
	<b>4 577 672 701</b>	<b>4 118 142 958</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**21. Revenue (continued)**

The amount included in revenue arising from non-exchange transactions is as follows:

**Taxation revenue**

Property rates	1 733 914 159	1 591 520 430
Licences or permits	12 127 953	12 411 425
Interest, Dividends and Rent on Land	55 177 577	40 197 816

**Transfer revenue**

Government grants & subsidies	1 739 305 650	2 267 813 593
Levies	82 193 719	76 003 320
Public contributions and donations	2 293 545	14 978 941
Fines	12 407 778	16 659 092
Fuel levy	652 199 000	593 337 000

	<b>4 289 619 381</b>	<b>4 612 921 617</b>
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**Fines are made up as follows:**

Traffic fines movement	(178 469)	4 101 100
Revenue received	12 586 247	12 557 992
	<b>12 407 778</b>	<b>16 659 092</b>

Total fines outstanding at 30 June 2022 is R272 165 361 (R261 366 487 : 2021) after eliminating untraceable and collected fines. A probability factor of 15% (16% : 2021) collection of total outstanding fines was calculated resulting in a traffic fines debtor amount of R41 640 169 (R41 818 638 : 2021). Refer to note 10.

The lifespan of traffic fines is as follows:

- Traffic offences in respect of which the admission of guilt amount is below R500: one year from date of issue of the warrant.
- Traffic offences in respect of which the admission of guilt amount is from R500 up to the maximum amount that may be determined by a peace officer in terms of section 56(1) of Act 51 of 1977: two years from the date of issue of the warrant.

The above arrangement also applies in traffic cases where a notice in terms of section 341 of Act 51 1977 is followed up by a summons setting admission of guilt up to the above maximum amount.

**Public contributions and donations**

Donations consist of two specialised vehicles donated by Road Traffic Management Corporation (RTMC).

**22. Service charges**

Sale of electricity	2 103 951 344	1 896 526 829
Sale of water	1 271 864 255	1 170 492 486
Sewerage and sanitation charges - Non Pans	360 934 063	336 519 214
Sewerage and sanitation charges - Pans	106 606 572	89 388 524
Refuse removal	388 555 132	361 406 794
Other service charges	112 732 892	58 890 208
Less: Income forgone - Sale of water	(29 195 667)	(35 665 872)
Less: Income forgone - Refuse removal	(2 455 819)	(7 914 661)
	<b>4 312 992 772</b>	<b>3 869 643 522</b>

**23. Rental of facilities and equipment****Facilities and equipment**

Rental of facilities	21 116 429	24 222 075
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**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>24. Licences and permits (non-exchange)</b>		
Dog	885 921	821 326
Agency fees	11 242 032	11 590 099
	<b>12 127 953</b>	<b>12 411 425</b>
<b>25. Interest (non-exchange)</b>		
Interest - Receivables	55 177 577	40 197 816
<b>26. Other revenue - (exchange)</b>		
Admission fees	1 577 509	422 762
Cemetery fees	8 413 955	10 760 745
Commission	28 805 081	27 304 131
Coupons and clip tickets	193 080	95 636
Grazing fees	23 638	50 062
Insurance	2 391 845	10 939 008
Photocopies	-	10 708
Plan approval fees	9 835 956	9 046 324
Private works	3 272 824	3 036 827
Tender receipts	829 819	422 628
Sale of scrap waste	2 639 646	2 107 841
Sale of plants and animals	11 156	612
Street frontage and administration fees	119 279	329 728
Sundry income	3 625 932	10 948 046
Town planning and sub-division fees	4 089 478	4 482 271
Vehicle registrations	23 987 364	25 154 341
	<b>89 816 562</b>	<b>105 111 670</b>
<b>27. Interest received</b>		
<b>Interest revenue</b>		
Bank	13 983 385	11 334 800
Call accounts with financial institutions	18 380 400	29 466 407
Interest charged on trade and other receivables	121 383 153	78 364 484
	<b>153 746 938</b>	<b>119 165 691</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>28. Property rates</b>		
<b>Rates received</b>		
Agricultural	10 353 122	9 172 062
Commercial	700 055 356	717 060 433
Educational	-	20 228 876
Industrial	146 882 220	136 204 629
Mining	235 713	-
Public Benefit Organisation	973 244	-
Public Service Infrastructure	716 411	695 288
Public Service Purpose	108 818 541	-
Residential	739 978 131	700 299 379
Vacant land	84 576 378	58 463 443
Less: Income forgone	(58 674 957)	(50 603 680)
	<b>1 733 914 159</b>	<b>1 591 520 430</b>
<b>Valuations</b>		
Agricultural	3 108 747 000	3 134 302 000
Commercial	22 740 583 500	25 263 421 350
Educational	-	2 475 707 000
Industrial	4 384 071 000	4 384 746 000
Mining	11 460 000	-
Public Benefit Organisation	247 675 000	-
Public Service Infrastructure	268 288 500	270 114 500
Public Service Purpose	5 420 923 900	-
Residential	63 709 809 400	63 114 634 400
Vacant land	3 110 341 620	2 974 791 350
	<b>103 001 899 920</b>	<b>101 617 716 600</b>

The Buffalo City Metropolitan Municipality is required in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) to undertake a General Valuation on land and buildings every 4 years and a supplementary valuation at least once a year. The third general valuation in terms of the MPRA was done in 2017 and the implementation date was 1 July 2018. The valuation date was 1 July 2017.

Rates are levied on a monthly basis (the due date for monthly accounts is the 15th of every month). Consumers must apply if they want to pay annually with the final date for payment for annual accounts being 30 September each year. Interest at a standard rate (as amended from time to time), is levied on rates outstanding after 30 September, except where the owner is paying in instalments.

The MPRA was amended in 2014 and the amended Act came into effect in July 2015. Section 8(2) of the Act was amended and prescribed categories of rateable property which must be included in the municipality's valuation roll, provided such category exist within the municipal jurisdiction. In term of Section 93(B) of the MPRA, the provisions of Section 8 as amended must be implemented by a municipality within seven years of date of commencement of the amended Act. The 2021/2022 financial year is the seventh year since the commencement of the amended Act.



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**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**28. Property rates (continued)**

In compliance with Section 93(B) of the MPRA, BCMM included prescribed rating categories which were not on BCMM's rates policy in the previous financial years. The affected properties were part of the municipality's valuation roll and were mainly part of the Business and Commercial, plus the Educational property categories. The affected properties were removed from the previous categories to the new rating categories based on the use of the property and the definition of each new rating category. The new rating categories created in compliance with Section 93(B) are as follows:

- Public Service Purpose
- Public benefit Organisations
- Mining properties

**Tariffs levied: cents in the rand**

Agricultural	0.003404	0.003152
Business	0.034038	0.031517
Educational	-	0.008825
Industrial	0.034038	0.031517
Mining	0.034038	-
Public Benefit Organisation	0.003404	-
Public Service Infrastructure	0.003404	0.003152
Public Service Purpose	0.021785	-
Residential	0.013615	0.012607
Vacant land	0.040846	0.037820
	<u>-</u>	<u>-</u>

**Rebates, exclusions and exemptions**

Buffalo City Metropolitan Municipality grants rebates in terms of the Municipality's rates policy to the following categories of property or owners:

- 1) Newly developed commercial/ industrial properties with a value of R50 000 000 and above.

The rebate will be phased in over a period of 5 years, from the effective date of the valuation of the improved property in the municipality's valuation roll as follows:

- Year 1 – 50%
- Year 2 – 40%
- Year 3 – 30%
- Year 4 – 20%
- Year 5 – 10%, thereafter full rates are payable.

- 2) A discretionary rebate/discount of up to 75%, where the Municipality does not supply some or all of the following services:

Constructed public roads	15.0 %	15.0 %
Water supply	22.5 %	22.5 %
Refuse removal service	7.5 %	7.5 %
Electricity supply	15.0 %	15.0 %
Sewerage service	15.0 %	15.0 %
	<u>75.0 %</u>	<u>75.0 %</u>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**28. Property rates (continued)**

3) Senior citizens who are 60 years and above qualify for up to 100% depending on their income level allocated as follows:

Gross monthly income (Rand)	Rebate
0 - 3500	100%
3501 - 5000	85%
5001 - 6500	70%
6501 - 8000	55%
8001 - 9500	40%
9501 - 10500	25%
10501 - 12000	20%
12001 - 13500	15%
13501 - 15000	10%

4) On application, Public Benefit Organisations (PBO's) as defined in the Municipal Property Rates Act and BCMM's Rates Policy are granted rebates.

5) Section 17 of the MPRA lists other impermissible rates, where a municipality may not levy a rate and the following were applied in the 2020/21 financial year:

Section 17(1)(a) - First 30% of the market value of public service infrastructure.

Section 17(1)(h) - First R15 000 of the market value of a property categorised as residential.

Section 17(1)(i) - On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community.

**29. Grants and subsidies paid****Other subsidies**

Buffalo City Metropolitan Development Agency	56 618 351	42 708 932
Disaster management fund	295 310	642 684
Mayoral Social Responsibility	244 602	638 774
Other Organisations	3 707 293	2 546 482
Rural development	2 596 765	1 053 030
Social relief	47 421 911	38 818 270
Sponsored Events	16 193 542	18 300 083
	<b>127 077 774</b>	<b>104 708 255</b>

**30. Government grants & subsidies****Operating grants**

Government grants - operating projects	81 583 051	126 796 418
Other Government grants and subsidies	971 288 454	1 075 985 462
	<b>1 052 871 505</b>	<b>1 202 781 880</b>

**Capital grants**

Government grant (capital: PPE)	686 434 145	1 065 031 713
	<b>1 739 305 650</b>	<b>2 267 813 593</b>

**31. Other revenue - (non-exchange)**

Fire levy	82 373 086	76 003 320
Less: Income forgone - Fire levy	(179 367)	-
	<b>82 193 719</b>	<b>76 003 320</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>32. Employee related costs</b>		
Basic emoluments	1 520 145 380	1 480 028 474
Car allowance	40 359 986	36 895 098
Employee benefit obligation net cost	67 661 000	102 398 000
Essential user cost	28 533 503	25 069 833
Group life	9 412 790	8 529 941
Housing benefits and allowances	10 939 508	10 482 911
Leave pay contributions (Leave pay provision charge)	38 923 232	58 427 141
Long-service awards	34 958 905	31 421 026
Medical aid contributions	113 458 897	110 987 337
Other allowances	70 464 439	74 155 195
Overtime payments	153 631 304	156 216 072
Pension fund contributions	287 491 078	283 956 652
UIF	11 691 714	10 275 074
13th Cheques	122 625 068	121 699 793
	<b>2 510 296 804</b>	<b>2 510 542 547</b>

**Remuneration of City Manager**

Annual Remuneration	1 289 871	1 407 132
Travel Allowance	286 000	312 000
Allowance	291 999	317 837
UIF	1 948	1 813
Medical AID	28 442	32 047
Pension Contributions	251 525	274 391
	<b>2 149 785</b>	<b>2 345 220</b>

The position is vacant.

The position became vacant 01 June 2022. Acting allowance to the value of R23 525 was paid for the 2021/22 financial year.

**Remuneration of Chief Financial Officer**

Annual Remuneration	1 125 706	1 125 706
Travel Allowance	343 348	343 348
Allowance	134 393	136 048
UIF	2 125	1 218
Medical AID	57 277	57 277
Pension Contributions	202 627	202 627
Group Life	10 700	9 952
	<b>1 876 176</b>	<b>1 876 176</b>

**Remuneration of HOD: Executive Support Services**

Annual Remuneration	1 120 915	1 120 915
Travel Allowance	242 766	242 766
Allowance	255 166	257 682
UIF	2 125	1 813
Medical AID	29 477	28 350
Pension Contributions	201 765	201 765
Group Life	15 978	14 900
	<b>1 868 192</b>	<b>1 868 191</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

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Figures in Rand	2022	2021 *Restated
<b>32. Employee related costs (continued)</b>		
<b>Remuneration of HOD: Human Settlements</b>		
Annual Remuneration	1 125 706	1 125 706
Travel Allowance	344 179	344 179
Allowance	121 601	123 496
UIF	2 125	1 813
Medical AID	57 277	57 277
Pension Contributions	202 627	202 627
Group Life	22 660	21 078
	<b>1 876 175</b>	<b>1 876 176</b>
<b>Remuneration of HOD: Corporate Services</b>		
Annual Remuneration	1 120 915	1 120 915
Travel Allowance	240 000	240 000
Allowance	242 217	241 348
UIF	2 125	1 813
Medical AID	44 356	45 537
Pension Contributions	218 578	218 578
	<b>1 868 191</b>	<b>1 868 191</b>
<b>Remuneration of HOD: Health, Public Safety &amp; Emergency Services</b>		
Annual Remuneration	1 125 706	1 125 706
Allowance	528 832	529 145
UIF	2 125	1 813
Pension Contributions	219 513	219 513
	<b>1 876 176</b>	<b>1 876 177</b>
<b>Remuneration of HOD: Infrastructure Services</b>		
Annual Remuneration	1 120 915	1 120 915
Travel Allowance	168 000	168 000
Allowance	312 809	315 442
UIF	2 125	1 813
Medical AID	29 786	28 555
Pension Contributions	218 578	218 578
Group Life	15 978	14 888
	<b>1 868 191</b>	<b>1 868 191</b>
<b>Remuneration of HOD: Development and Spatial Planning</b>		
Annual Remuneration	1 120 915	1 120 915
Travel Allowance	192 000	192 000
Allowance	294 133	296 404
UIF	2 125	1 813
Medical AID	29 786	28 555
Pension Contributions	218 578	218 578
Group Life	10 654	9 926
	<b>1 868 191</b>	<b>1 868 191</b>

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**32. Employee related costs (continued)****Remuneration of HOD: Solid Waste and Environmental Health**

Annual Remuneration	1 125 706	469 044
Travel Allowance	264 000	110 000
Allowance	243 194	101 806
UIF	2 125	772
Medical AID	38 524	15 690
Pension Contributions	202 627	84 428
	<b>1 876 176</b>	<b>781 740</b>

The incumbent was appointed 01 February 2021. This is a new directorate.

**Remuneration of HOD: Economic Development & Agencies**

Annual Remuneration	1 125 706	1 125 706
Travel Allowance	343 348	343 348
Allowance	214 005	383 551
UIF	2 125	1 813
Medical AID	22 136	21 758
Pension Contributions	168 856	-
	<b>1 876 176</b>	<b>1 876 176</b>

**Remuneration of HOD: Sport Recreation & Community Development**

This is a new directorate. It was vacant for the 2021/22 financial year. Acting allowance to the value of R198 984 was paid in the 2021/22 financial year in respect of the vacant position.

**33. Remuneration of councillors**

Executive Mayor	816 205	842 556
Deputy Executive Mayor	646 442	511 548
Mayoral Committee Members	6 101 685	6 210 624
Speaker	646 442	670 099
Chief Whip	608 938	640 987
Councillors salaries	27 719 592	27 046 975
Councillors pension contribution	3 523 615	4 257 309
Councillors housing subsidy	10 333 065	2 596 050
Councillors medical aid	1 666 179	2 490 175
Cellphone Allowance	4 110 473	4 047 651
Travel allowance	8 510 033	14 499 434
	<b>64 682 669</b>	<b>63 813 408</b>

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**33. Remuneration of councillors (continued)****In-kind benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Cost of secretarial support amounts to R26 502 110 (2021: R27 907 313).

The House Keeper appointed to maintain the Mayoral house cost to Council amounts to R329 117 (2021: R304 792).

The Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip each have the use of a Council owned vehicle for official duties. Repairs to the vehicles amounts to R399 297 (2021: R527 267). An amount of R1 103 034 (2021: R853 106) was incurred for hired vehicles.

The Executive Mayor, Deputy Executive Mayor and Speaker each have full-time bodyguards. Cost of 17 bodyguards amounts to R12 111 614 (2021: R12 649 603).

The salaries, allowances and benefits of Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

**34. Depreciation and amortisation**

Property, plant and equipment	4	1 566 782 272	1 385 854 469
Intangible assets	5	1 900 465	1 827 644
		<b>1 568 682 737</b>	<b>1 387 682 113</b>

**35. Finance costs**

Borrowings	20 684 493	25 756 790
------------	------------	------------

Refer to note 15 Borrowings relating to finance cost.

**36. Debt impairment**

Contributions to debt impairment - Exchange	1 059 121 157	740 371 179
Contributions to debt impairment - Non-exchange	326 300 942	171 369 729
	<b>1 385 422 099</b>	<b>911 740 908</b>

**37. Bulk purchases**

Electricity - Eskom	1 922 254 903	1 631 905 169
Water	247 054 714	234 111 957
	<b>2 169 309 617</b>	<b>1 866 017 126</b>

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		*Restated

**37. Bulk purchases (continued)****Electricity losses**

Description	2022 Amount (R)	%	2021 Amount (R)	%
Technical	192 494 725	10.00	93 681 946	5.80
Non-technical	220 931 932	10.47	274 535 822	17.00
	<b>413 426 657</b>	<b>20.47</b>	<b>368 217 768</b>	<b>22.80</b>

Total losses amounted to 291 919 493 kWh (2021: 322 625 619 kWh) of which 142 583 689 kWh (2021: 82 082 394 kWh) are technical losses and 149 335 804 kWh (2021: 240 543 225 kWh) are non-technical losses.

The allowable losses (technical around 5% to 6% and non-technical 5% to 6%) total losses should be below 12% as per NERSA, however, a recent cost of supply study calculated the technical losses occurring on the BCMM electricity network at 10% and BCMM are now to question NERSA on their National applied average of 5-6% for technical losses. BCMM has now proven that the technical losses occurring on our network is higher than the applied National average granted by NERSA and the electricity loss split calculation was amended in 2022 to reflect the calculated 10% technical losses.

**Technical Losses:** This type of loss is inherent in any electrical network. Technical losses are maintained within the norm by upgrading, replacing and re-new infrastructure. BCMM has invested a substantial amount of capital into the electrical network. It is calculated that the technical losses are above the applied NERSA standard of 6%. The concluded cost of supply study undertaken in 2022 calculated technical losses on the BCMM electricity network at 10%.

**Non-technical losses:** Illegal connections, meter tampering, electrical faults and billing errors.

The main contributor to the non-technical losses is the illegal connections in informal areas. These informal areas are growing due to the influx of people into the city. The invasion of land is being dealt with through legal avenues, but this has not stopped the mushrooming illegal settlements. The Electricity and Energy's Services Departments Revenue Protection Unit remove illegal connections on a daily basis. The long-term plan to reduce the losses from illegal connections is the electrification of informal dwellings. The Council is in the process of considering a policy on site and services wherein the informal dwellings will be relocated to areas suitable for services to be provided.

While the biggest contributor to non-technical losses is caused by illegal connections, other factors such as meter tampering by legal consumers while tampering takes place in all areas of BCMM, the occurrence of tampering is high in low income areas, which have a high number of illegal connections. In these areas tampering is also harder to control due to community action during meter inspections which put staff at risk. Tampering in Industrial and commercial areas is also found but this is usually perpetrated by expert syndicates and is harder to identify. The smart metering project will assist with identifying this type of tampering.

A pilot project to test the policy is in progress in the area of Silvertown in Ward 11. As required by the standard operating procedure, the spatial planning and human settlement requirements which need to be completed first are in progress, and once completed electrification will take place. The work being completed by Spatial Planning and Human Settlement is required to ensure safe implementation of electrification.

To-date, 7482 informal houses have received a formal electricity connection to the BCMM electricity grid, which should prevent illegal electricity connections. BCMM have also embarked on a smart metering retrofit project, whereby all meters will be inspected for meter tampering. Some 13 000 non-purchasing prepayment meters will be targeted by this process and financial recoveries made when meter tampering is discovered.



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<b>37. Bulk purchases (continued)</b>				
<b>Water losses</b>				
<b>Description</b>	<b>2022 Amount (R)</b>	<b>%</b>	<b>2021 Amount (R)</b>	<b>%</b>
Technical	80 755 569	21.74	66 722 408	19.28
Non-technical	58 516 397	15.76	58 773 101	16.99
	<b>139 271 966</b>	<b>37.50</b>	<b>125 495 509</b>	<b>36.27</b>

Total losses amounted to 22 824 585 KI (2021: 21 818 438 KI) of which 13 234 625 KI (2021: 11 600 246 KI) are technical losses and 9 589 960 KI (2021: 10 218 192 KI) are non-technical losses.

**Non-technical**

**Unbilled Authorised Consumption** - The unbilled authorised consumption is the volume of authorised consumption that is not billed or paid for. The level of unbilled authorised consumption will vary from WSA to WSA and in some areas, virtually all water is metered and billed in some manner with the result that the unbilled authorised consumption is zero.

**Apparent Losses**- Apparent losses or commercial losses are made up from the unauthorised (theft or illegal use), plus all technical and administrative inaccuracies associated with customer metering. While it should be noted that the apparent losses should not be a major component of the water balance in most developed countries, it can represent the major element of the total losses in many developing countries. A systematic estimate should be made from local knowledge of the system and an analysis of technical and administrative aspects of the customer metering system.

**Technical**

**Real Losses** - Real losses are the physical water losses from the pressurised system, up to the point of measurement of customer use. In most cases, the real losses represent the unknown component in the overall water balance and the purpose of most water balance models is therefore to estimate the magnitude of the real losses so that the WSA can gauge whether or not it has a serious leakage problem. The real losses are calculated as the difference between the total losses and the estimated apparent losses.

Water losses are being addressed through the implementation of water conservation and water demand measures which includes pipe replacement, water meter replacement, etc.

**38. Contracted services****Outsourced Services**

Alien Vegetation Control	397 904	2 936 410
Animal Care	1 440 000	1 440 000
Burial Services	416 090	431 770
Catering Services	3 701 209	2 986 552
Cleaning Services	548 611	140 320
Clearing and Grass Cutting Services	5 254 520	3 269 275
Connection/Dis-connection	12 016 321	7 159 304
Hygiene Services	41 631	46 327
Internal Auditors	360 928	117 359
Litter Picking and Street Cleaning	15 639 948	21 855 796
Medical Services [Medical Health Services & Support]	36 176	29 847
Meter Management	1 450 188	1 402 527
Personnel and Labour	35 256 202	30 026 079
Professional Staff	3 425 531	7 445 330
Refuse Removal	5 150 503	4 817 232
Security Services	1 561 919	162 000
Traffic Fines Management	4 453 962	5 037 953

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Figures in Rand	2022	2021 *Restated
<b>38. Contracted services (continued)</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	27 079 771	21 691 760
Infrastructure and Planning	2 830 718	527 383
Laboratory Services	343 733	351 939
Legal Cost	32 358 593	25 277 299
<b>Contractors</b>		
Artists and Performers	650 435	90 000
Building	2 290 630	2 158 148
Electrical	8 388 271	9 688 029
Event Promoters	4 615 439	2 557 481
Inspection Fees	22	168 489
Management of Informal Settlements	4 055	8 386
Medical Services	30 730	5 322
Pest Control and Fumigation	473 204	641 436
Plants, Flowers and Other Decorations	121 724	430 210
Transportation	-	732 635
Safeguard and Security	3 875 279	13 491 155
Sewerage Services	31 950 571	74 627 788
Stage and Sound Crew	641 604	60 222
	<b>206 806 422</b>	<b>241 811 763</b>
<b>39. General expenses</b>		
Advertising	14 535 206	14 079 613
Auditors remuneration	22 321 276	20 882 918
Bank charges	8 561 888	4 852 655
Cleaning	192 534	73 082
Commission paid	39 479 403	40 534 479
Conferences and seminars	3 255 703	1 576 634
Consumables	39 591 402	34 834 878
Entertainment	1 456 481	1 378 771
Fuel and oil	69 681 654	53 504 809
Hire	117 645 353	155 973 615
Insurance	33 699 492	33 579 537
IT expenses	45 770 774	43 227 030
Lease rentals on operating lease	57 611 062	35 947 777
Levies	20 633 219	16 469 623
License fees	4 014 398	2 372 965
Marketing	2 705 699	1 565 012
Magazines, books and periodicals	564 310	260 749
Motor vehicle expenses	10 710 763	8 896 897
Other expenses	76 430 226	59 198 178
Postage and courier	12 735 613	9 820 951
Printing and stationery	6 565 982	4 525 330
Promotions	1 515 232	266 597
Remuneration to WARD Committees	3 200 219	6 913 208
Special events	486 642	502 433
Subscriptions and membership fees	17 179 725	16 209 207
Telephone and fax	24 660 992	23 962 952
Title deed search fees	437 948	114 606
Training	24 165 091	13 356 408
Travel - local	9 709 926	6 512 856
Travel - overseas	173 219	226 830
Uniforms	21 764 540	24 558 017
	<b>691 455 972</b>	<b>636 178 617</b>

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<b>40. Repairs and maintenance</b>		
Infrastructure	182 189 499	180 719 487
Community assets	12 570 712	8 937 510
Heritage assets	8 000	9 200
Other assets	27 956 628	28 199 523
Computer Equipment	425 155	603 662
Furniture and Office Equipment	4 160 546	6 830 509
Machinery and Equipment	149 864 521	134 003 644
Transport Assets	24 214 791	26 723 860
	<b>401 389 852</b>	<b>386 027 395</b>
<b>41. Fair value adjustments</b>		
Investment property (Fair value model)	15 348 500	29 523 248
<b>42. (Gain)/Loss on disposal of assets</b>		
(Gain)/Loss on disposal of property, plant and equipment	4 (470 508)	16 622 245
<b>43. Auditors' remuneration</b>		
Fees	22 321 276	20 882 918
<b>44. Cash generated from operations</b>		
(Deficit) surplus	(233 331 481)	582 369 486
<b>Adjustments for:</b>		
Depreciation and amortisation	1 568 682 737	1 387 682 113
(Gain)/Loss on sale of assets and liabilities	(470 508)	16 622 245
Income from equity accounted investments	(29 868 763)	26 627 528
Fair value adjustments	(15 348 500)	(29 523 248)
Debt impairment	1 385 422 099	911 740 908
Movements in retirement benefit assets and liabilities	67 661 000	102 398 000
Movements in provisions	51 951 584	37 940 017
Inventory losses or write-downs	502 895	689 642
Non-cash adjustments	-	11 860 676
<b>Changes in working capital:</b>		
Inventories	(7 603 951)	(3 327 759)
Receivables from exchange transactions	(1 161 309 000)	(1 075 503 128)
Receivables from non-exchange transactions	(379 067 162)	(280 109 267)
Trade payables from exchange transactions	(199 793 698)	32 225 836
Unspent conditional grants and receipts	9 606 898	(262 914 560)
Consumer deposits	5 567 318	4 082 656
	<b>1 062 601 468</b>	<b>1 462 861 145</b>

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**45. Operating leases - as lessee (expense)****Minimum lease payments due - Buildings**

- within one year	3 949 167	6 223 835
- in second to fifth year inclusive	1 944 539	5 893 706
	<b>5 893 706</b>	<b>12 117 541</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties.

Leases are negotiated for an average term of five years and rental escalates at annual fixed rates that vary between 0% and 12% annually.

No contingent rent is payable.

There were no sublease agreements between BCMM and third parties

**Minimum lease payments due - Printing Machines**

- within one year	1 940 066	2 579 727
- in second to fifth year inclusive	825 947	2 694 044
	<b>2 766 013</b>	<b>5 273 771</b>

Operating lease payments represent rentals payable by the municipality for certain of its printing machinery.

Leases are negotiated for an average term of three years and there is no rental escalation.

No contingent rent is payable.

**46. Commitments****Authorised capital expenditure****Already contracted for but not provided for**

• Community (including housing)	97 736 392	122 852 724
• Infrastructure	266 565 677	265 390 363
• Other	11 155 398	17 638 216
• Annual contracts	11 284 702	24 749 900
	<b>386 742 169</b>	<b>430 631 203</b>

**Total capital commitments**

Already contracted for but not provided for	386 742 169	430 631 203
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This committed expenditure relates to Infrastructure, Community, Property, Plant and Equipment and Annual contracts. Refer to note 4 Property, plant and equipment.

Consultants and professional fees are not included in the commitment disclosure due to their nature and the fact that their costs can only be determined after the works have been concluded and payment made. This because the amount of expenditure relating to consultants cannot be determined in advance and will only be determined once expenditure is incurred.

The above amounts exclude VAT.

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<b>47. Contingencies</b>		
Litigation issues These are instances whereby legal claims have been instituted against Council by various third parties. Legal advice is sought and Council will defend claims where so advised.	96 055 823	1 224 800 486
Labour issues These are instances whereby labour disputes have resulted in possible claims by employees.	29 978 749	18 729 102
Insurance issues These are instances whereby insurance claims have been instituted against Council by various third parties. Advice is sought from Council's insurers whether BCMM is liable. If BCMM is liable, then Council's insurers will determine the settlement amount to be paid. If BCMM is not liable, then Council's insurers will legally defend the matter on Council's behalf.	58 714 260	44 406 592
	<b>184 748 832</b>	<b>1 287 936 180</b>

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**48. Related parties**

Relationships	
Controlled entities	Buffalo City Metropolitan Development Agency SOC Ltd
Associates	Refer to note 7
Members of key management	Refer to note 32 and 33

Buffalo City Metropolitan Development Agency (BCMDA) (a SOC Ltd company registration no 2016/168330/30).

The BCMDA was incorporated on 20 April 2016 as a Municipal Entity of BCMM. BCMDA is 100% controlled by BCMM.

BCMM relationship with BCMDA: Subsidiary - Buffalo City Metropolitan Development Agency (SOC) Ltd.

The municipality issued grants of R42 146 535 to BCMDA during the current financial year (2021: R40 139 554) (VAT exclusive).

BCMDA has trade receivables of R38 969 561 (2021: R9 257 544) (VAT inclusive) and trade payables of R0 (2021: R0) which relates to transactions with BCMM.

BCMM reimbursed BCMDA with an amount of R83 219 181 (2021: R80 498 124) (VAT exclusive) for the implementation of the BCMDA East London Beachfront and Water World Project.

Agency fees amounting to R6 657 534 (2021: R6 439 850) (VAT exclusive) were paid to BCMDA for projects implemented and administered on behalf of BCMM.

BCMDA has paid no consumer accounts during the current financial year.

There are no share based payments in respect of BCMDA.

There are no post-employment benefits for key personnel in respect of BCMDA.

BCMM currently receives European funding from the National Treasury GBS allocation. BCMM is currently rolling out the Duncan Village Waste Buy Back Centre through BCMDA as the implementing agent. In the current year under review, an amount of R14 471 816 (2021: R2 569 375) (VAT exclusive) was transferred to BCMDA.

BCMM paid an amount of R3 231 656 (2021: R4 012 433) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2021/22 financial year to the East London IDZ.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

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**49. Prior-year adjustments**

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

**Statement of financial position****Accumulated surplus prior to 2020**

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			10 929 561 937	-	10 929 561 937
Various	4	a	-	(45 871 906)	(45 871 906)
			<b>- 10 929 561 937</b>	<b>(45 871 906)</b>	<b>10 883 690 031</b>

**Revaluation reserve**

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			9 460 564 593	-	9 460 564 593
Property, plant and equipment - Various	4	a	-	40 512 741	40 512 741
			<b>- 9 460 564 593</b>	<b>40 512 741</b>	<b>9 501 077 334</b>



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\*Restated**49. Prior-year adjustments (continued)****2021**

<b>Detail of Statement of Financial Position</b>	<b>Note</b>	<b>Error reference</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Inventories - General stores	9	b	14 023 268	67 987	-	14 091 255
Property, plant and equipment - Land	4	a	81 658 476	2 820 499	-	84 478 975
Property, plant and equipment - Community buildings	4	a	1 018 453 400	28 566 798	-	1 047 020 198
Property, plant and equipment - Electricity infrastructure	4	a	3 903 094 517	19 815 222	-	3 922 909 739
Property, plant and equipment - Furniture and fixtures	4	a	122 497 771	5 123 521	-	127 621 292
Property, plant and equipment - Motor vehicles	4	a	324 087 560	(651 793)	-	323 435 767
Property, plant and equipment - Other properties	4	a	1 106 069 519	289 033 349	-	1 395 102 868
Property, plant and equipment - Plant and equipment	4	a	45 691 895	14 991 510	-	60 683 405
Property, plant and equipment - Recreational facilities	4	a	253 864 117	8 081 736	-	261 945 853
Property, plant and equipment - Roads	4	a	5 367 197 181	133 901 874	-	5 501 099 055
Property, plant and equipment - Wastewater network	4	a	1 910 251 001	90 032 978	-	2 000 283 979
Property, plant and equipment - Water network	4	a	2 816 346 524	46 369 085	-	2 862 715 609
Property, plant and equipment - WIP	4	a	4 565 464 189	(630 977 461)	-	3 934 486 728
Intangible assets - Software	5	a	11 735 783	235 195	-	11 970 978
Receivables from exchange transactions - Electricity Gross	11	f,g	672 084 070	(7 276 646)	-	664 807 424
Receivables from exchange transactions - Electricity Impairment	11	f,k	(297 661 304)	2 034 414	-	(295 626 890)
Receivables from exchange transactions - Refuse Gross	11	f	524 365 827	(957 218)	-	523 408 609
Receivables from exchange transactions - Refuse Impairment	11	f,k	(224 098 153)	1 531 635	-	(222 566 518)
Receivables from exchange transactions - Wastewater Gross	11	f	433 741 576	8 797 689	-	442 539 265
Receivables from exchange transactions - Wastewater impairment	11	f,k	(203 868 225)	1 393 370	-	(202 474 855)
Receivables from exchange transactions - Water Gross	11	f,g	1 498 986 484	(77 643 875)	-	1 421 342 609
Receivables from exchange transactions - Water Impairment	11	f,k	(1 163 384 593)	4 465 238	-	(1 158 919 355)
Receivables from exchange transactions - Rental debtors	11		-	76 804 503	-	76 804 503
Receivables from exchange transactions - Allowance for impairment - Rental debtors	11		-	(63 285 970)	-	(63 285 970)
Receivables from exchange transactions - VAT Accrual	11		-	(791 032)	209 146 719	208 355 687
Receivables from exchange transactions - VAT Control	11		-	-	39 774 971	39 774 971
Receivables from non-exchange transactions - Allowance for impairment	10	f	(598 033 652)	(152 138 521)	-	(750 172 173)
Receivables from non-exchange transactions - Other receivables (billing)	10	f	297 198 367	(76 874 180)	-	220 324 187
Receivables from non-exchange transactions - Property rates Gross	10	e	1 019 684 711	(665 225)	-	1 019 019 486

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			*Restated
<b>49. Prior-year adjustments (continued)</b>			
Trade payables from exchange transactions - Other creditors	18	j	(108 508 918) (37 886 646) - (146 395 564)
Trade payables from exchange transactions - Retention monies	18	d	(91 281 678) 7 619 605 - (83 662 073)
Trade payables from exchange transactions - Trade payables	18	i	(716 456 640) 4 729 461 - (711 727 179)
Trade payables from exchange transactions - VAT Accrual	18		- 177 492 (259 566 722) (259 389 230)
VAT Receivable/(Payable)	19	c	(15 723 735) 5 078 703 10 645 032 -
Unspent conditional grants and receipts	14		(37 234 191) (4 703 805) - (41 937 996)
Revaluation reserve	13	a	(11 562 642 682) (40 512 741) - (11 603 155 423)
Accumulated surplus			(11 589 204 922) 123 145 386 - (11 466 059 536)

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<b>49. Prior-year adjustments (continued)</b>						
<b>Summary of Statement of Financial Position</b>	<b>Note</b>	<b>Error reference</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Inventories	9	b	36 978 342	67 987	-	37 046 329
Receivables from non-exchange transactions	10	e	785 494 088	(10 130 077)	-	775 364 011
VAT receivable			-	-	-	-
Receivables from exchange transactions	11	f,k	1 581 274 043	(54 927 892)	248 921 690	1 775 267 841
Cash and cash equivalents	12		1 126 078 448	-	-	1 126 078 448
Investment property	3		436 049 000	-	-	436 049 000
Property, plant and equipment	4	a	21 514 676 150	7 107 318	-	21 521 783 468
Intangible assets	5	a	11 735 783	235 195	-	11 970 978
Heritage assets	6		50 513 440	-	-	50 513 440
Investments in associates	7		676 448 508	-	-	676 448 508
Borrowings	15		(45 190 555)	-	-	(45 190 555)
Trade payables from exchange transactions	18	d,j	(1 272 137 569)	(25 360 074)	(259 566 722)	(1 557 064 365)
VAT Payable	19	c	(15 723 735)	5 078 703	10 645 032	-
Consumer deposits	20		(74 226 105)	-	-	(74 226 105)
Employee benefit obligation	8		(25 599 000)	-	-	(25 599 000)
Unspent conditional grants and receipts	14		(259 994 837)	(4 703 805)	-	(264 698 642)
Provisions	16		(378 433 181)	-	-	(378 433 181)
Borrowings	15		(187 994 372)	-	-	(187 994 372)
Employee benefit obligation	8		(761 616 000)	-	-	(761 616 000)
Provisions	16		(46 484 844)	-	-	(46 484 844)
Revaluation reserve	13	a	(11 562 642 682)	(40 512 741)	-	(11 603 155 423)
Accumulated surplus			(11 589 204 922)	123 145 386	-	(11 466 059 536)
			-	-	-	-

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<b>49. Prior-year adjustments (continued)</b>						
<b>Statement of financial performance</b>						
<b>Detail of Statement of Financial Performance</b>						
	Note	Error reference	As previously reported	Correction of error	Re- classification	Restated
Contracted services - Outsourced services - Personnel and labour	38	e	29 915 656	-	110 423	30 026 079
Contracted services - Outsourced services - Beaches	38	e	110 423	-	(110 423)	-
Debt impairment - Contribution to debt impairment - Exchange	36	k	755 579 974	(15 208 795)	-	740 371 179
Depreciation and amortisation - Property, plant and equipment	34	a	1 398 959 586	(13 105 117)	-	1 385 854 469
Employee related cost - Basic emoluments	32	j	1 447 950 744	32 077 730	-	1 480 028 474
Employee related cost - Pension fund contributions	32	j	278 147 734	5 808 918	-	283 956 652
Employee related cost - Other allowances	32		74 281 195	-	(126 000)	74 155 195
Remuneration of councillors - Mayoral Committee Members	33		7 473 795	-	(1 263 171)	6 210 624
Remuneration of councillors - Councillors	33		25 783 804	-	1 263 171	27 046 975
Repairs and maintenance	40	a	384 519 834	1 507 561	-	386 027 395
General expenses - Postage and courier	39	e	9 694 951	-	126 000	9 820 951
General expenses - Other expenses	39		59 332 903	-	(134 725)	59 198 178
General expenses - Advertising	39		14 079 689	-	(76)	14 079 613
General expenses - Travel local	39		6 409 022	-	103 834	6 512 856
General expenses - Lease rental on operating lease	39		35 927 466	-	20 311	35 947 777
General expenses - Motor vehicle expenses	39		8 896 351	-	546	8 896 897
General expenses - Telephone and fax	39		23 952 918	-	10 034	23 962 952
General expenses - Promotions	39		266 521	-	76	266 597
Property rates - Commercial	28	e	(715 134 823)	(1 925 610)	-	(717 060 433)
Property rates - Industrial	28	e	(136 347 716)	143 087	-	(136 204 629)
Property rates - Vacant land	28	e	(58 140 669)	(322 774)	-	(58 463 443)
Service charges - Sale of electricity	22	f	(1 904 160 197)	7 633 368	-	(1 896 526 829)
Service charges - Sale of water	22	f	(1 239 571 344)	69 078 858	-	(1 170 492 486)
Service charges - Sewerage and sanitation charges - Non Pans	22	f	(339 297 852)	2 778 638	-	(336 519 214)
Service charges - Sewerage and sanitation charges - Pans	22	f	(80 076 259)	(9 312 265)	-	(89 388 524)
Service charges - Refuse removal	22	f	(364 764 200)	3 357 406	-	(361 406 794)
Service charges - Less: Income forgone - Sale of water	22	f	36 013 407	(347 535)	-	35 665 872
Service charges - Less income forgone - Refuse	22	f	10 738 447	(2 823 786)	-	7 914 661
Service charges - Less: Income forgone - Sewerage and sanitation charges	22	f	2 663 602	(2 663 602)	-	-
Interest received - Interest charged on trade and other receivables	27	f	(79 222 714)	858 230	-	(78 364 484)
Other revenue - (non-exchange) - Fire levy	31	f	(76 338 917)	335 597	-	(76 003 320)
Other revenue - (non-exchange) - Fire levy - Less income forgone	31	f	357 273	(357 273)	-	-
Public contributions and donations - PPE		a	(10 035 999)	(4 942 942)	-	(14 978 941)
Government grants and subsidies - Government grant (capital: PPE)	30		(1 069 735 518)	4 703 805	-	(1 065 031 713)
<b>Surplus for the year</b>			-	-	<b>77 273 499</b>	-

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Figures in Rand			2022	2021		
				*Restated		
<b>49. Prior-year adjustments (continued)</b>						
<b>Summary of Statement of Financial Performance</b>						
	Note	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	22	f	(3 937 344 604)	67 701 082	-	(3 869 643 522)
Rental of facilities and equipment	23		(24 222 075)	-	-	(24 222 075)
Other revenue - (exchange)	26		(105 111 670)	-	-	(105 111 670)
Interest received	27	f	(120 023 921)	858 230	-	(119 165 691)
Property rates	28	e	(1 589 415 133)	(2 105 297)	-	(1 591 520 430)
Licences and Permits (non-exchange)	24		(12 411 425)	-	-	(12 411 425)
Interest (non-exchange)	25		(40 197 816)	-	-	(40 197 816)
Government grants & subsidies	30		(2 272 517 398)	4 703 805	-	(2 267 813 593)
Other revenue - (non-exchange)	31	f	(75 981 644)	(21 676)	-	(76 003 320)
Public contributions and donations - PPE		a	(10 035 999)	(4 942 942)	-	(14 978 941)
Fines			(16 659 092)	-	-	(16 659 092)
Fuel levy			(593 337 000)	-	-	(593 337 000)
Employee related cost	32	j	2 472 781 899	37 886 648	(126 000)	2 510 542 547
Remuneration of councillors	33		63 813 408	-	-	63 813 408
Depreciation and amortisation	34	a	1 400 787 230	(13 105 117)	-	1 387 682 113
Finance costs	35		25 756 790	-	-	25 756 790
Debt Impairment	36	k	926 949 703	(15 208 795)	-	911 740 908
Repairs and maintenance	40	a	384 519 834	1 507 561	-	386 027 395
Bulk purchases	37		1 866 017 126	-	-	1 866 017 126
Contracted services	38		241 811 763	-	-	241 811 763
Grants and subsidies paid	29		104 708 255	-	-	104 708 255
General expenses	39		636 052 617	-	126 000	636 178 617
Loss on disposal of assets			16 622 245	-	-	16 622 245
Fair value adjustments	41		(29 523 248)	-	-	(29 523 248)
Share of surplus of associate			26 627 528	-	-	26 627 528
Inventories losses/write-downs	9		689 642	-	-	689 642
<b>Surplus for the year</b>			<b>- (659 642 985)</b>	<b>77 273 499</b>	<b>-</b>	<b>(582 369 486)</b>

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**49. Prior-year adjustments (continued)****Cash flow statement****2021**

	Note	Error reference	As previously reported	Correction of error	Restated
<b>Cash flow from operating activities</b>					
Sale of goods and services		I	4 903 224 724	45 050 356	4 948 275 080
Government grants & subsidies		I	2 272 517 398	(267 618 365)	2 004 899 033
Interest income		I	160 221 737	(858 230)	159 363 507
Employee costs & Councillors remuneration		I	(2 536 595 308)	68 082 189	(2 468 513 119)
Suppliers		I	(3 322 207 733)	166 801 167	(3 155 406 566)
Finance costs			(25 756 790)	-	(25 756 790)
			<b>- 1 451 404 028</b>	<b>11 457 117</b>	<b>1 462 861 145</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment		I	(1 665 277 249)	(12 519 663)	(1 677 796 912)
Proceeds from sale of property, plant and equipment		I	36 769 294	1 062 546	37 831 840
			<b>- (1 628 507 955)</b>	<b>(11 457 117)</b>	<b>(1 639 965 072)</b>
<b>Cash flow from financing activities</b>					
Net movement on borrowings			(54 395 605)	-	(54 395 605)

**Other disclosure items**

	Note	Error reference	As previously reported	Correction of error	Restated
Irregular expenditure - Opening balance	55	m	2 518 729 268	365 078 738	2 883 808 006
Irregular expenditure - Additions	55	m	174 785 450	26 220 362	201 005 812
Operating leases - as lessee (expense) - Printing machines	45	n	2 919 096	2 354 675	5 273 771
			<b>2 696 433 814</b>	<b>393 653 775</b>	<b>3 090 087 589</b>

**Explanation of errors**

- a) Reclassification of work in progress not recognised as property, plant and equipment by the Municipality in previous financial years due to various project management matters that prevented capitalisation at the time.
- b) Inventory write downs were incorrectly captured in the 20/21 financial year. The write downs related to the prior period.
- c) During the Financial year 2020/21 SARS conducted VAT Audit iro 2015/03 to 2019/02 tax periods. SARS raised an assessment including interest and penalties i.t.o. Section 31(1) of VAT ACT.
- d) During the preparation of the final accounts by the Consultant, they inspected the site to verify all the works to identify discrepancies. In this instance the value of the project was reduced and the final amount was less to what was previously certified, the difference is now recovered from the remaining retention and the contractor will be paid the reduced retention.
- e) The reason for the adjustments is due to changes in property values and categories which were affected through a supplementary valuation. The effective date of these changes was before the year under audit which is 2021/22 financial year.

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**49. Prior-year adjustments (continued)**

f) For the 2021/22 financial year there were adjustments passed in respect of receivables (exchange and non-exchange) which included the prior year. The adjustments relate to a reversal of the 20/21 revenue raised for unbilled services as these transactions were billed against the debtors accounts in 21/22.

g) In 2020/21 when the prepayment sales were uploaded the full value was credited to the revenue account. The applicable VAT account was not credited.

h) Prior period billing errors corrected.

i) The reason for the adjustments is due to a duplicate order raised for Mvezo Plant & Civils . It was raised as a system generated accrual in June 2021.

j) The error is in respect of results of the job evaluation process which was undertaken by BCMM with the calculations back dated from 1 July 2015 and payment done in the 2021/22 financial year.

k) Due to the realignment of billed revenue to prior period, this affects the opening balance on Impairment for 2021/2022 and therefore the opening balance was adjusted.

l) The adjustment on cash flow from operating activities and investing activities is a result of all other prior year errors listed in Statement of Financial Position, Statement of Financial Performance and Statement of Changes in Net Assets.

m) Being adjustment to irregular expenditure amount disclosed to include VAT as recommended by MFMA Circular No 68, Municipal Finance Management Act No. 56 of 2003 as updated in October 2021

n) The adjustment was due to a replacement of damaged printing machines in the 20/21 financial year which was erroneously omitted for disclosure.

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**49. Prior-year adjustments (continued)****Change in accounting policy**

The municipality had a change in accounting policy due to the implementation of GRAP 108.

For the previous 3 years the municipality followed the transitional provision granted per Directive 5 of the Reporting Framework. This transitional provision lapsed and the municipality implemented GRAP 108 in the current financial year.

The following change in accounting policies occurred:

**Effect of change**

GRAP 108 Statutory receivable.

Items such as property rates and traffic fines were previously accounted for under GRAP 104 Financial Instruments. These are now accounted for using GRAP 108 - refer to note 10 receivables from non-exchange transactions.

VAT payable/receivable previously accounted for under GRAP1 and disclosed on the face of the Statement of Financial Position is now accounted for using GRAP 108. The municipality is registered for VAT on the payment basis, therefore the netting off of VAT accruals for debtors and creditors is not allowed. Netting off the VAT payable or receivable to/from SARS is allowed, which is the VAT control account. Refer to note 10 receivables from non-exchange transactions, note 11 receivables from exchange transactions and note 18 trade and other payables from exchange transactions.

Below is a breakdown of the retrospective change in disclosure for VAT payable.

		<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
VAT payable	19	(15 723 735)	5 078 703	10 645 032	-
VAT accrual - creditors	11	-	(791 032)	209 146 719	208 355 687
VAT accrual - debtors	18	-	177 492	(259 566 722)	(259 389 230)
VAT control	11	-	-	39 774 971	39 774 971
		<b>(15 723 735)</b>	<b>4 465 163</b>	<b>-</b>	<b>(11 258 572)</b>

**50. Risk management****Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk Management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**Credit risk**

Credit risk consists mainly of cash deposits (refer note 12), deteriorating audit outcomes, low collection rates and trade debtors (refer note 10 and 11). The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party, which is in line with Investment regulations and policy on investment.



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**50. Risk management (continued)****Market risk****Interest rate risk**

The municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk, however all finance charges are on the variable interest rate.

The risk of a decrease in interest rate will place additional pressure to funding operations as a result of less income being realised from interest received and vice versa for finance charges.

**Cash flow interest rate risk**

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.75 %	2 705 585 914	-	-	-	-
Cash in current banking institutions	4.18 %	100 379 409	-	-	-	-
Call Investments deposits	4.18 %	576 557 238	-	-	-	-
Trade and other payables - extended credit terms	4.25 %	882 993 183	-	-	-	-
Long term borrowings	8.77 %	49 140 563	30 246 178	28 813 896	25 085 847	54 707 887

**Sensitivity Analysis of Market Risk**

Effect of a 1% change in the interest rate	Current interest rate	Value at 30 June 2022	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables - normal credit terms	10.75 %	2 705 585 914	2 442 966 965	2 465 226 345	2 421 105 963
Cash in current banking institutions	4.18 %	100 379 409	96 351 900	97 285 723	95 435 833
Call Investments deposits	4.18 %	576 557 238	553 424 110	558 787 786	548 162 424
Trade and other payables - extended credit terms	4.25 %	882 993 183	846 995 859	855 199 209	838 948 392
Short term borrowings	8.77 %	49 140 563	45 178 416	45 597 627	44 766 842
Long term borrowings	8.77 %	138 853 808	127 658 185	128 842 728	126 495 225

The sensitivity analysis was based on the assumption that a 1% increase or decrease in the interest rate could occur.

The method used to prepare the sensitivity analysis was based on the discounted value of the respective cash flow for 1 year using the respective current interest rate in order to determine the effect of applicable market risk of a 1% increase or decrease in the interest rate.

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**50. Risk management (continued)****Capital risk management**

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The municipality is in an enviable position of having access to additional long-term facilities in order to invest in the replacement of infrastructure assets.

**51. Going concern**

The audited 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.

**52. Events after the reporting date**

There are no events after reporting date to be disclosed

**53. Unauthorised expenditure**

Opening balance as previously reported	-	17 649 513
<b>Opening balance as restated</b>	<b>-</b>	<b>17 649 513</b>
Add: Expenditure identified - current	163 702 130	-
Less: Expenditure authorised in terms of section 32 of the MFMA	-	(17 649 513)
<b>Closing balance</b>	<b>163 702 130</b>	<b>-</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	163 702 130	-
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**Analysed as follows: non-cash**

Debt impairment	163 702 130	-
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**The 2022 unauthorised expenditure comprises the following:**

Unauthorised expenditure for 2021/2022 mainly results from a non-cash item that is debt impairment.

The unauthorised expenditure per directorate can mainly be attributed to depreciation, debt impairment and contracted services (legal costs).

There is no unauthorised expenditure regarding the total budgeted amount.

There was no unauthorised expenditure reported in 2021 financial year.

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**53. Unauthorised expenditure (continued)****Unauthorised expenditure: Budget overspending – per directorate:**

Municipal Manager	1 005 770	-
Chief Financial Officer	25 208 766	-
Spatial planning and Development	1 838 284	-
Solid Waste, Environmental & Health Management	272 250	-
	<b>28 325 070</b>	<b>-</b>

**54. Fruitless and wasteful expenditure**

Opening balance as previously reported	10 731 676	12 947 312
Less: Amount written off - current	-	(2 215 636)
<b>Closing balance</b>	<b>10 731 676</b>	<b>10 731 676</b>

BCMM has established a Municipal Public Accounts Committee (MPAC) which is constituted by Council to investigate all irregular, fruitless and wasteful expenditure. The MPAC recommends to Council the write off and future actions to be taken in accordance with the provisions in terms of Section 32 of the MFMA.

**Cases under investigation**

Investigations are still in progress regarding 20 cases (2021:21) which relate to interest on late payments and negligence.

**Amounts recoverable**

There are no recoverable amounts.

**Amounts written-off**

There are no amounts written off.

**55. Irregular expenditure**

Opening balance as previously reported	3 084 813 818	2 518 729 268
Restatement	-	365 078 738
<b>Opening balance as restated</b>	<b>3 084 813 818</b>	<b>2 883 808 006</b>
Add: Irregular Expenditure - current year	1 442 386 188	201 005 812
Irregular expenditure identified in current year relating to prior years	4 689 793 434	-
<b>Closing balance</b>	<b>9 216 993 440</b>	<b>3 084 813 818</b>

**Analysis of expenditure awaiting write-off per age classification**

Prior years (Opening balance)	3 084 813 818	2 883 808 006
Current year	1 442 386 188	201 005 812
Irregular expenditure identified in current year relating to prior years	4 689 793 434	-
	<b>9 216 993 440</b>	<b>3 084 813 818</b>

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<b>55. Irregular expenditure (continued)</b>		
<b>Details of irregular expenditure</b>		
Procurement made outside SCM regulations	821 657 517	2 468 606
Bid Construction Contracts (BCC)	16 775 532	109 381 097
Annual contracts	54 927 993	74 848 271
Informal contracts	197 495	-
Formal contracts	94 685	331 398
3 Quotation System	39 600	-
Suppliers in service of state - Not-declared state employees	-	5 610 448
Expired leases	22 889 315	6 171 309
Inadequate rotation on panel contracts	292 615 886	-
Capital expenditure from annual contracts	233 188 165	2 194 684
	<b>1 442 386 188</b>	<b>201 005 813</b>

**56. In-kind donations and assistance**

FELZOO donated assistance to BCMM	17 819	9 661
FELA donated assistance to BCMM	3 600	3 600
Nahoon Point Nature Reserve	54 047	37 273
	<b>75 466</b>	<b>50 534</b>

The nature of the above In-kind donations and assistance amounts are ad-hoc cash donations which are non-exchange transactions.

**57. Additional disclosure in terms of Municipal Finance Management Act****Contributions to organised local government**

Current year subscription / fee	16 378 276	15 659 900
Amount paid - current year	(16 378 276)	(15 659 900)
	-	-

**Contributions to SA Cities Network**

Current year contribution	4 627 270	4 064 221
Amount paid - current year	(4 627 270)	(4 064 221)
	-	-

**Audit fees**

Current year subscription / fee	22 321 276	20 882 918
Amount paid - current year	(22 321 276)	(20 882 918)
	-	-

**PAYE, UIF and Skills Development Levy**

Current year subscription / fee	420 351 584	386 207 146
Amount paid - current year	(420 351 584)	(386 207 146)
	-	-

Amounts in respect of June 2022 were paid by the 7 July 2022 as per legislation, therefore there were no outstanding amounts for the financial year 2021/22.

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**57. Additional disclosure in terms of Municipal Finance Management Act (continued)****Pension and Medical Aid Deductions**

Current year subscription / fee	616 778 826	593 504 234
Amount paid - current year	(616 778 826)	(593 504 234)
	-	-

Amounts in respect of June 2022 were paid by the 7 July 2022 as per legislation, therefore there were no outstanding amounts for the financial year 2021/22.

**VAT**

VAT payable	8 821 205	11 258 572
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VAT output payables and VAT input receivables are shown in note 19.

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 R155 661 were outstanding for more than 90 days at 30 June 2022 (2021 R55 957) for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor. The following amounts represent the total outstanding as at 30 June 2022 Stop orders are in place, whereby a monthly amount is deducted until the balance is settled.

30 June 2022	Outstanding more than 90 days R	Total R
Councillor R. Angelbeck	50 400	50 400
Councillor N. Fishile	53 377	53 377
Councillor M.J. Mashiya	36 492	36 492
Councillor C.N. Matwele	12 205	12 205
Councillor N.E. Tshabe	3 184	3 184
	<b>155 658</b>	<b>155 658</b>
30 June 2021	Outstanding more than 90 days R	Total R
Councillor C.H. Maxegwana	14 369	14 369
Councillor N.P. Matiwane	643	643
Councillor K. Ciliza	1 385	1 385
Councillor V.F. Gcobo	6 856	6 856
Councillor S. Mapuko	32 704	32 704
	<b>55 957</b>	<b>55 957</b>

At year end, officials accounts totalling R8 713 371 (2021: R5 048 405) were outstanding for more than 90 days.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**58. Transitional provisions****Transitional provision for Living and non-living resources****General information**

The entity followed the transitional provision as per Directive 5 of the GRAP Reporting Framework.

All living and non-living resources have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 110.

Some progress has been made towards full compliance with GRAP 110, but it is expected that full compliance will only be reached at the end of the transitional period. The municipality intends to comply in full with GRAP 110 by ensuring that, inter alia, all necessary considerations, assessments, calculations and significant judgements are made timeously and effectively, in order to classify and measure Living and non-living resources in accordance with the requirements of the standard.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**59. Accounting by principals and agents**

The municipality is party to principal-agent arrangements.

**Details of the arrangements are as follows:****Department of Transport**

BCMM entered in an agreement with the Department of Transport to collect licence and permit fees and in return BCMM pays these over to the Department of Transport with a 19% retention for BCMM.

The amount retained by BCMM ensures increased revenue collection and is redirected to service delivery.

There are private companies other than BCMM that also offer roadworthy testing of vehicles. Vehicle licences can be renewed at the Post Office, Provincial Department of Transport and certain Banks offer the same services.

The above mentioned contributes to lesser income being received by BCMM.

**Department of Human Settlements**

BCMM received a level one accreditation with the Human Settlements Department to erect RDP houses on behalf of the department and to claim back all monies spent.

This ensured that all indigent qualifying persons have housing and that the metro increases service delivery.

The spending of BCMM own funds and claiming these funds back from the department has resulted in a fiscal drain to the metro which has resulted in an amount of R343 million owing to BCMM.

**Municipality as agent****Resources held on behalf of the principals, but recognised in the entity's own financial statements**

No resources are held on behalf of the principals.

**Revenue recognised**

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R11 242 032 (2021: R11 590 099).

**Corresponding rights of reimbursement recognised as assets**

Corresponding rights of reimbursement that have been recognised as assets are R351 483 328 (2021: R341 108 361) Refer to note 11, Accrued income.

**Municipality as principal****Resources (including assets and liabilities) of the entity under the custodianship of the agent**

BCMM received funding through National Treasury GBS funding for the Duncan Village Waste Buy Back Centre. BCMM entered into an agreement with BCMDA to implement the project and on completion, the asset is transferred to BCMM. In this agreement, no project management fees are charged to BCMM. Refer to note 28 Grant and Subsidies Paid and note 48 Related parties, for further details.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand

2022

2021  
\*Restated**59. Accounting by principals and agents (continued)**

BCMDA is a development agency of the BCMM and has a responsibility to ensure economic development is achieved through its existence to expedite development of the City and participate in job creation through its mandate areas as approved by Council. Through the signed Service Delivery Agreement (SDA), the Agency was allocated recreational projects to implement on behalf of the City. In this arrangement, the BCMDA appointed contractors to commence with the construction at both Water World and Court Crescent. The City retains control of the assets are thus not recorded in BCMDA's accounting records rather the City. Invoices received from the contractors are recorded as expenditure in the Statement of Financial Performance and as liabilities in the statement of Financial Position. Refer to note 28, Grant and Subsidies Paid and note 48 Related parties for further details.



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**60. Segment information****General information****Identification of segments**

The municipality is organised and reports to management on the basis of 5 major functional areas : Community and public safety, Economic and environmental services, Municipal governance and administration, Trading services and Other. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

**Aggregated segments**

The municipality operates throughout the Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were sufficiently similar to warrant aggregation.

**Types of goods and/or services by segment**

These reportable segments as well as the goods and/or services for each segment are set out below:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Community and Public Safety	Service or activity that is performed by the Metro for the benefit of the public or its institutions.
Economic and Environmental Services	Helps the Metro to make better decisions by identifying resources, understanding the needs of the public and formulate plans to make the local economy fully functional and investor friendly.
Municipal Governance and Administration	Management, cohesive policies, guidance, processes and decision-rights
Trading Services	Providing a service to customers at a tariff determined to "recover cost".
Other	Tourism promotion & development and Operations of fresh produce market.

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 60. Segment information (continued)

#### Segment surplus or deficit

2022

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
<b>Revenue</b>						
Service charges	-	-	60 947 589	4 252 045 183	-	4 312 992 772
Rental of facilities and equipment	2 141 290	1 267 506	14 821 128	-	2 886 505	21 116 429
Other revenue (exchange)	11 096 311	38 079 225	8 951 185	6 276 009	25 413 836	89 816 566
Interest received	-	-	153 746 939	-	-	153 746 939
Property rates	-	-	1 733 914 161	-	-	1 733 914 161
Licences and permits (non-exchange)	-	11 884 476	-	-	243 477	12 127 953
Interest (non-exchange)	-	-	55 177 577	-	-	55 177 577
Government grants and subsidies	303 414 510	219 555 614	433 711 202	732 407 262	50 217 060	1 739 305 648
Other revenue (non-exchange)	82 193 719	-	-	-	-	82 193 719
Public contributions and donations	-	2 293 545	-	-	-	2 293 545
Fines	24 373	12 383 405	-	-	-	12 407 778
Fuel levy	-	-	652 199 000	-	-	652 199 000
<b>Total segment revenue</b>	<b>398 870 203</b>	<b>285 463 771</b>	<b>3 113 468 781</b>	<b>4 990 728 454</b>	<b>78 760 878</b>	<b>8 867 292 087</b>

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 60. Segment information (continued)

Expenditure	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
Employee related cost	(572 689 613)	(477 544 176)	(732 419 155)	(682 910 746)	(44 733 126)	(2 510 296 816)
Remuneration of councillors	-	-	(64 682 668)	-	-	(64 682 668)
Depreciation and amortisation	(93 665 049)	(752 239 715)	(150 986 891)	(571 383 451)	(407 639)	(1 568 682 745)
Finance cost	(1 241 047)	(6 211 236)	(1 566 445)	(11 259 890)	(405 875)	(20 684 493)
Debt impairment	(71 630 751)	-	(248 732 401)	(1 065 058 947)	-	(1 385 422 099)
Repairs and maintenance	(25 590 416)	(123 278 880)	(27 604 014)	(223 280 546)	(1 635 996)	(401 389 852)
Bulk purchases	-	-	-	(2 169 309 617)	-	(2 169 309 617)
Contracted services	(15 900 704)	(6 401 740)	(98 377 238)	(81 249 516)	(4 877 219)	(206 806 417)
Grants and subsidies paid	(11 362 676)	-	(55 339 228)	(142 673)	(60 233 198)	(127 077 775)
General expenses	(102 058 647)	(49 268 123)	(320 512 459)	(194 183 970)	(25 432 763)	(691 455 962)
Loss on disposal of assets	(19 452)	-	918 159	(428 199)	-	470 508
Fair value adjustments	-	-	15 348 500	-	-	15 348 500
Share of surplus/(deficit) of associate	-	-	29 868 763	-	-	29 868 763
Inventory losses/write-downs	-	-	(502 895)	-	-	(502 895)
<b>Total segment expenditure</b>	<b>(894 158 355)</b>	<b>(1 414 943 870)</b>	<b>(1 654 587 972)</b>	<b>(4 999 207 555)</b>	<b>(137 725 816)</b>	<b>(9 100 623 568)</b>
<b>Total segmental surplus/(deficit)</b>						<b>(233 331 481)</b>
Total Revenue as per Statement of Financial Performance						8 867 292 082
Total Expenditure as per Statement of Financial Performance						(9 145 808 439)
Other items as per Statement of Financial Performance - (also included in expenditure table above)						45 184 876
<b>Municipality's surplus (deficit) for the period</b>						<b>(233 331 481)</b>

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 Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand

**60. Segment information (continued)**

**2021**

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
<b>Revenue</b>						
Service charges	-	-	13 219 578	3 856 423 945	-	3 869 643 523
Rental of facilities and equipment	1 074 834	1 184 782	19 521 336	-	2 441 124	24 222 076
Other revenue (exchange)	12 017 260	38 200 143	21 793 335	8 828 271	24 272 660	105 111 669
Interest received	-	-	119 165 690	-	-	119 165 690
Property rates	-	-	1 591 520 430	-	-	1 591 520 430
Licences and permits (non-exchange)	-	12 201 516	-	-	209 910	12 411 426
Interest (non-exchange)	-	-	40 197 816	-	-	40 197 816
Government grants and subsidies	521 596 391	405 342 601	584 568 656	731 963 163	24 342 781	2 267 813 592
Other revenue (non-exchange)	76 003 320	-	-	-	-	76 003 320
Public contributions and donations	-	14 978 941	-	-	-	14 978 941
Fines	11 179	16 647 913	-	-	-	16 659 092
Fuel levy	-	-	593 337 000	-	-	593 337 000
<b>Total segment revenue</b>	<b>610 702 984</b>	<b>488 555 896</b>	<b>2 983 323 841</b>	<b>4 597 215 379</b>	<b>51 266 475</b>	<b>8 731 064 575</b>

# BUFFALO CITY METROPOLITAN MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

	Community and Public Safety	Economic and Environmental Services	Municipal Governance and Administration	Trading Services	Other	Total
<b>60. Segment information (continued)</b>						
<b>Expenditure</b>						
Employee related cost	(522 866 243)	(492 226 326)	(757 916 120)	(693 843 693)	(43 690 164)	(2 510 542 546)
Remuneration of councillors	-	-	(63 813 408)	-	-	(63 813 408)
Depreciation and amortisation	(84 373 079)	(697 285 341)	(100 766 724)	(501 052 525)	(4 204 442)	(1 387 682 111)
Finance cost	(1 635 392)	(8 471 299)	(2 124 389)	(12 975 276)	(550 434)	(25 756 790)
Debt impairment	(48 668 316)	-	(111 277 808)	(751 794 784)	-	(911 740 908)
Repairs and maintenance	(20 844 121)	(125 476 169)	(30 274 256)	(208 064 972)	(1 367 873)	(386 027 391)
Bulk purchases	-	-	-	(1 866 017 126)	-	(1 866 017 126)
Contracted services	(8 648 065)	(19 663 026)	(87 298 293)	(122 768 147)	(3 434 233)	(241 811 764)
Grants and subsidies paid	(642 684)	-	(60 303 609)	-	(43 761 962)	(104 708 255)
General expenses	(93 751 945)	(41 329 513)	(278 603 899)	(205 069 788)	(17 423 466)	(636 178 611)
Loss on disposal of assets	(14 727)	(8 781 775)	(6 756 710)	(1 050 526)	(18 519)	(16 622 257)
Fair value adjustments	-	-	29 523 248	-	-	29 523 248
Share of surplus/(deficit) of associate	-	-	(26 627 528)	-	-	(26 627 528)
Inventory losses/write-downs	-	-	(689 642)	-	-	(689 642)
<b>Total segment expenditure</b>	<b>(781 444 572)</b>	<b>(1 393 233 449)</b>	<b>(1 496 929 138)</b>	<b>(4 362 636 837)</b>	<b>(114 451 093)</b>	<b>(8 148 695 089)</b>
<b>Total segmental surplus</b>						<b>582 369 486</b>
Total Revenue as per Statement of Financial Performance						8 731 064 575
Total Expenditure as per Statement of Financial Performance						(8 134 278 922)
Other items as per Statement of Financial Performance - (also included in expenditure table above)						(14 416 167)
<b>Municipality's surplus for the period</b>						<b>582 369 486</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
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**60. 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.

**61. Deviation from supply chain management regulations**

Regulation 36 of the MFMA on Supply Chain Management (SCM) Regulations and clause 36 of the SCM Policy of 2012 states that a SCM Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Regulation 36 states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the unaudited separate annual financial statements.

During the financial year under review goods/services totalling R177 464 201 (2021: R224 164 251) were procured and the process followed in procuring those goods/services deviated from the provisions of the regulations as stated above. The accounting officer approved the deviations from the normal SCM regulations.

**Type of contract**

<b>Type of contract</b>	<b>No of contracts</b>	<b>Value of contracts</b>
Emergency	6	37 083 937
Sole supplier	13	79 048 687
Other exceptional cases	9	61 331 577
	<b>28</b>	<b>177 464 201</b>

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand

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\*Restated

**62. Retirement benefit information**

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- L A Retirement Fund
- Cape/Consolidated Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- Municipal Worker's Retirement Fund
- SALA Pension Fund
- Municipal Employees Pension Fund
- Municipal Councillors Pension Fund
- National Fund for Municipal Workers
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- East London Municipal A Band Provident Fund

The LA Retirement Fund's last actuarial valuation was at 30 June 2021 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was in a sound financial condition with a funding level of 102%.

The Consolidated Retirement Fund's last actuarial valuation was at 30 June 2021 conducted by S. Neethling from Momentum Consultants and Actuaries who certified that the fund was in a sound financial position.

The Eastern Cape Local Authorities Provident Fund's last valuation was at 30 June 2021 conducted by E. Du Toit from Alexander Forbes Financial Services, who confirmed that the fund was in a sound financial position. The funding level was at 101.18% at valuation date.

The Government Employees Pension Fund's last valuation was at 31 March 2021 conducted by AR. Pienaar of Alexander Forbes Financial Services who confirmed that the fund was in a sound financial condition.

Municipal Worker's Retirement Fund (previously known as SAMWU National Provident Fund) last actuarial valuation was at 30 June 2020 conducted by E.J. Potgieter and G. Base from Towers Watson (Pty) Ltd. The report stated that the fund was in a sound financial position as at 30 June 2020.

The SALA Pension Fund's last valuation was at 01 July 2021 conducted by J.F. Rosslee of ARGEN Actuarial Solutions. The fund was 85.5% funded as at the current valuation date. The valuator was satisfied with the investment strategy of the fund and the nature of the assets is in his opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund.

The Municipal Employees Pension Fund's last interim valuation was at 28 February 2014 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The report stated that the fund was financially sound and the funding level at this date was 100%

The Municipal Councillors Pension Fund's last valuation was at 30 June 2018 prepared by Mothapo R. and Barnard G.M. from Moruba Consultants and Actuaries. The report stated that the funding level was at 103% at the time of valuation.

The National Fund for Municipal Worker's last Actuarial Valuation was at 30 June 2021 and prepared by G. Grobler from Alexander Forbes Financial Services who confirmed that the fund continues to be able to meet its liabilities.

The East London Municipal A Band and the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contributions funds. It is therefore not necessary to perform an actuarial valuation for these funds.

It is Council's policy to fund 60% of Pensioner's medical aid expenses. The current costs amount to approximately R23,2 million.

An amount of R420.1 million (2021: R400.1 million) was contributed by Council, Councillors' and employees' in respect of Councillor and employee retirement funding. These contributions have been expensed.

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand 2022 2021  
\*Restated

**63. Bids awarded to family of employees in service of the State**

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to family of an employee in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded in the declaration-of-interest form:

Connected person	Position held in BCMDA	Position held in BCMM	2022	2021
C.C Mandleni		Filing clerk	2 297 749	-
Z. Nkopo		Technician	115 828	-
L. Boya		Communication Officer	2 255 485	1 591 867
M. Mqikela		Skills development	1 032 249	-
S. Mxesibe		Geomatics Technician	-	614 941
C.F. Stoffels		Informal contract	2 723 524	47 246
A. Qwede		Office Manager	42 243	-
H.C. Prince		Administrative officer	340 957	583 407
Z. Gqokoza		Equipment operator	333 385	288 775
S.C. Nkubungu		Project Manager	436 623	362 506
S. Sopazi		Staff accounts	143 092	231 614
Z. Capucapu		Superintendent	-	72 565
Z. Mkwanti		Artisan Assistant	362 907	326 304
K. Somdaka		Office Manager	-	1 173 335
S. Xoki		Chief risk officer	-	55 908
N. Pepani		Admin technician	-	26 044
S. Skepu		Chemical technician	-	181 112
H. Schluter		Program Manager	-	11 339
S. Kweza		Reserve Ranger	-	48 616
A. Fredericks		Senior meter reader	-	38 927
Z. Ndzondo		Bid Secretariat	1 739 238	-
Y. Barley		Intern	-	120 867
B. Nabela		Intern	-	129 360
B.R. Nonkewuse		Supervisor	-	5 626
A. Pepper		Meter Reader	-	68 932
T. Nyati		Secretary	-	101 739
A. Ceba		BCX Director	13 563 133	-
T. Goba		Director	9 453 565	-
J.S.P. Matsebula		Director	968 445	-
K.P. Mfene		Admin clerk	52 200	-
H. Nazir		Teacher	680 000	-
A. Gunyazile		BCMM Councillor	12 745	-
V. Zitumane	BCMDA Board member		4 280 236	3 434 862
			<b>40 833 604</b>	<b>9 515 892</b>



**BUFFALO CITY METROPOLITAN MUNICIPALITY**

Audited Annual Financial Statements for the year ended 30 June 2022

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2022	2021 *Restated
<b>64. Cash flows from operating activities</b>		
<b>Sale of goods and services</b>		
Total revenue from Statement of Financial Performance	8 867 292 082	8 731 064 575
Less: Interest received - (exchange)	27 (153 746 938)	(119 165 691)
Less: Interest received - (non-exchange)	25 (55 177 577)	(40 197 816)
Less: Government grants and subsidies	30 (1 739 305 650)	(2 267 813 593)
Movement in receivables from exchange transactions	44 (1 161 309 000)	(1 075 503 128)
Movement in receivables from non-exchange transactions	44 (379 067 162)	(280 109 267)
	<b>5 378 685 755</b>	<b>4 948 275 080</b>
<b>Government grants and subsidies</b>		
Government grants and subsidies	30 1 739 305 650	2 267 813 593
Movement in unspent conditional grant	44 9 606 898	(262 914 560)
	<b>1 748 912 548</b>	<b>2 004 899 033</b>
<b>Employee costs &amp; Councillors remuneration</b>		
Employee related costs	32 (2 510 296 804)	(2 510 542 547)
Councillors remuneration	33 (64 682 669)	(63 813 408)
Movement in post-retirement medical aid benefit obligation	44 67 661 000	102 398 000
Movement in bonus provision	16 (86 165)	3 444 836
	<b>(2 507 404 638)</b>	<b>(2 468 513 119)</b>
<b>Suppliers</b>		
Total expenditure as per the Statement of Financial Performance	(9 145 808 439)	(8 134 278 922)
Less: Employee related costs	32 2 510 296 804	2 510 542 547
Less: Councillors remuneration	33 64 682 669	63 813 408
Less: Finance costs	35 20 684 493	25 756 790
Less: Depreciation and amortisation	34 1 568 682 737	1 387 682 113
Less: Debt Impairment	36 1 385 422 099	911 740 908
Movement in provisions relating to landfill sites	16 52 037 749	34 495 181
Movement in trade payables from exchange transactions	44 (199 793 698)	32 225 836
Movement in inventory	44 (7 603 951)	(3 327 759)
Movement in consumer deposits	44 5 567 318	4 082 656
Non-cash adjustments	44 -	11 860 676
	<b>(3 745 832 219)</b>	<b>(3 155 406 566)</b>

# AUDIT COMMITTEE REPORT

AS AT 30 JUNE 2022



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

## **Audit Committee Report**

**as at 30 June 2022**

### Buffalo City Metropolitan Municipality

The Audit Committee is pleased to present its report for the period ending 30 June 2022, in accordance with sections 166(2) and (3) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) read with the related Treasury Regulations, National Treasury Internal Audit Framework, MFMA Circular 65 and applicable Council resolutions.

#### AUDIT COMMITTEE'S LEGISLATIVE ROLES AND RESPONSIBILITIES

The Audit Committee is constituted in terms of sections 166(1) and (2) and 166(6)(b) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) read with the applicable Treasury Regulations. The Audit Committee is an independent advisory body which must advise the municipal council, the political office bearers, the accounting officer and the management and staff of the municipality on matters relating to:

- Internal financial control and internal audits
- Risk management
- Accounting policies
- The adequacy, reliability and accuracy of financial reporting, records and information
- Performance management
- Effective governance
- Compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation
- Performance evaluation
- Any other matter referred to it by the institution
- Investigations into the financial affairs of the municipality

The MFMA also requires the Audit Committee to review the Annual Financial Statements and respond to Council on matters raised by the Auditor General (AGSA).

The role and responsibilities of the Audit Committee are set out in the Audit Committee Charter which is annually reviewed and was most recently approved during June 2022. The Charter is reviewed annually, or when the need arises, by Council, taking into account relevant legislative precepts which may be applicable thereto and recommended good practice. The Charter was amended by Council resolution, minute number V BCMC 21/21. The Audit Committee endeavours at all times to conduct its oversight role in compliance with its Charter and the provisions of the MFMA.

The advice tendered by the Audit Committee is recorded in the minutes of the various meetings and reports presented to Council.

The effectiveness of the Audit Committee and its individual members is assessed on an annual basis through a self-assessment by the Committee members as well as independent assessment by the various stakeholders with which the Committee interact, e.g. AGSA, National Treasury, Management, etc.

#### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee in office during the 2021/22 financial period was appointed effective 4<sup>th</sup> September 2020 and comprises the following seven (7) independent external members:

No.	Member	Number of meetings attended
1.	Mr. S. Ngqwala (Chairperson)	Seven (7)
2.	Ms. Y. Roboji (Resigned 8 October 2021)	Five (5)
3.	Mr. S. Maharaj	Ten (10)
4.	Mr. L. Ngqongwa	Eight (8)
5.	Mr. T. Zororo	Nine (9)
6.	Ms. L. Makaza-Hini (Resigned 27 July 2022)	Three (3)
7.	Ms. T. Maqwati-Naku	Ten (10)

Out of the ten meetings held, four were ordinary Audit Committee meetings and six were special meetings held for the following purposes:

- To consider the Quarterly Performance Information Report as well as Internal Audit reports not considered at the Ordinary meeting.
- To consider the external audit report as presented by the Auditor General (SA) as well as the Audited Annual Financial Statements for the 2020/21 financial year.
- To review and approve the separate Annual Financial Statements for external audit.
- To review and approve the consolidated Annual Financial Statements.
- To consider the external audit strategy as presented by the Auditor General (SA).
- To finalise agenda items that could not be dealt with in previous meetings.

## EFFECTIVENESS OF INTERNAL CONTROLS

The systems of internal control are the legislative responsibility of the accounting officer and senior executive management as required by the MFMA, read in conjunction with National Treasury Audit and Risk Framework, MFMA Circular 65 and International Standards for the Professional Practice of Internal Auditing.

The Annual Internal Audit Plan was prepared by the City's Governance and Internal Audit unit taking cognizance emerging and residual risks identified by management through the guidance of the Risk Management Unit. The scope of the planned internal audit work has the primary objective of assisting in improving the effectiveness of risk management, control and governance of processes.

The Audit Committee would like to stress the importance of promptly implementing recommendations made by Internal Audit and the Auditor General's review and assurance reports as this will have a meaningful impact on the effectiveness of the control environment whilst also mitigating the risk of potential fraud and maladministration.

Delayed management responses and actions to recommendations raised by Internal Audit hampers the effectiveness of the Internal Audit unit to enhance internal controls within the institution. Internal Audit has started awareness and collaboration discussions and initiatives on combined assurance to encourage collective ownership of governance and assurance. The City is also of plan to have an approved Combined Assurance Framework in this regard, which framework has been designed by the Governance and Internal Audit unit in line with this Unit's approved Three Year Strategic Plan and is due for Council approval.

The primary focus of the framework centres around the fact that management should promote a culture in which administrative controls are constantly improved and where evidence of co-ordination, accountability and consequence management remains a key focus. The Committee therefore looks forward to the approval and implementation of the Combined Assurance Framework in the City.

## FINANCIAL REPORTING

The Audit Committee was presented with the quarterly Statements of Financial Performance as well as reports on the Implementation of the 2021/22 Budget.

The Audit Committee noted that the municipality continues using the asset revaluation model to value its infrastructure assets resulting in large depreciation charges.

The municipality is still considering changing to the cost model and has approached National Treasury for assistance in this matter.

The Audit Committee, while commending the municipality's creditors' days' ratio, cautioned the municipality against settling their creditors too soon as this is not good cash flow management but to delay payments to just under 30 days to adhere to the payment period prescribed by the MFMA, with the exception of the SMME's.

The Audit Committee recommended that the Indigent Debtors debtor category needs to be addressed as a matter of urgency and that it needs to be established if all the debtors in this category are indeed indigent in order that corrective measures be taken.

Management was further commended on the initiative to identify the root causes of observed excessive overtime. There is still room for improvement of monitoring and proper management of the overtime budget in certain directorates.

The Audit Committee was presented with the Capital Expenditure Report year-to-date. Management is urged to start planning in the fourth quarter or earlier for projects scheduled for the next financial year to avoid recurring low rates of capital expenditure. Lack of forward planning might result in limited time towards the year end to follow due procurement processes. This gives rise to deviations and irregular expenditure and might further result in decreased allocations of grant funding in following years.

The Annual Financial Statements for the year ended 30 June 2022 (AFS) were approved by the Audit Committee for distribution to the Auditor-General South Africa for external audit. This approval was effected after consideration of the review report on the AFS from Internal Audit as well as subsequent presentation of the updated AFS by management to the Audit Committee.

The Committee has noted the material irregularities raised by the external auditors in the current financial period relating to vandalism and theft of assets as well as under-billing of lease debtors. While commending management on the handling of the material irregularities reported in previous years, as relates to the under-calculation of revenue, the Committee impresses on management the need to introduce appropriate controls in their systems to ensure to the safeguarding of assets, completeness of billing, enhancement of revenue and validity of reporting.

The Committee expresses its commendation to management and all supporting role players for the improvement in the external audit opinion from a qualified opinion in the prior year to an unqualified opinion for the 2021/22 financial year.

### INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The Audit Committee is encouraged by the fact that a Smart City Concept document had been completed, however, has noted that progress might be accelerated in terms of implementation of the principles imposed there within. The Committee is obtaining updates in this regard at each Audit Committee ordinary meeting.

The Committee remained concerned about the information and technology governance and the absence of a Chief Information Officer in accordance with the Corporate Governance of ICT Framework. Further concerns were raised with regard to the limited of activity of the ICT Governance Committee during the year.

The Audit Committee noted the poor attendance at the ICT Steering Committee meetings. It was recommended that the ICT steering committee meetings be incorporated into the institutional calendar and that attendance should be obligatory and those who are absent without a valid reason should be subjected to consequence management.

Furthermore, the Committee considers and recommends that the integration of systems within the City be prioritized for increased efficiency in the ICT control environment.

### SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

One of the challenges highlighted in the SDBIP quarterly reports was noted as late submission from some directorates hindering the process of analysing performance information. Some Portfolio of Evidence submitted do not validate the targets achieved and for the non-achieved targets inadequate corrective measures are given.

While the Committee commends management on the improvement of the external audit conclusion on the Audit of Predetermined Objectives for Strategic Outcome 1 (A Spatially Transformed City) from a disclaimed opinion in the prior year to a qualified opinion in the current year, the Audit Committee still noted that the deficiencies in the validity, accuracy and completeness of reported performance information are reported quarterly by the internal audit function. Furthermore, the external audit conclusion under the same review category for Strategic Outcome 3 (A Connected City) is a disclaimer.

The Committee considers that management's slow uptake, as noted in repeated findings, in implementing control improvement recommendations, has therefore also impacted the external audit conclusion on the Audit of Predetermined Objectives and there remains vast room for improvement in this area.

The Committee implores management to improve on fairly presented reporting, and furthermore, it is imperative to ensure that the supporting documentation actually supports the achievement(s) reported and constitutes sufficient and appropriate audit evidence. The recommendations from each assurance provider and oversight body, e.g. Internal and External audits, the Audit Committee, etc. should be taken as a lever towards improvement in this regard.

### EFFECTIVE GOVERNANCE

The Audit Committee received quarterly feedback on the status of legal cases. In the case of disciplinary cases against employees, the Audit Committee urges the Municipality not to allow employees to delay the conclusion of their respective cases by way of delaying tactics and suggested that the Municipality make use of all the options available to it within the law to speedily conclude these matters as delays are costly. Furthermore, delays in the finalisation of cases of suspended employees results in non-compliance with regulative prescripts. The Committee therefore urges management to expedite finalisation of such matters.

In the case of contractual appeals against the municipality relating to projects, certain directorates are not responding timeously when requested to provide technical comments/inputs and this could frustrate the capacity of the municipality to respond effectively in accordance with the timeframes prescribed by law. Management have committed to address those departments which are not complying.

It is Management's responsibility to build an environment of ethical behaviour with visible discipline and accountability being actioned where necessary. There is still room for improvement with regard to swift, consistent and decisive consequence management to drive accountability within the institution.

### UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The Audit Committee is very concerned about the slow progress in addressing the Irregular Expenditure incurred over prior financial years. All such expenditure has to be disclosed in the municipality's annual financial statements as required by the MFMA and treasury requirements, until such time as dealt with decisively and/or condoned by Council on MPAC's recommendations. An urgent decision needs to be taken to finalise the treatment of these amounts.

The reports on Deviations for the financial period were considered. The Audit Committee emphasized that for all deviations, whether it be an emergency, sole supplier or other exceptional case, the reason for the deviation should be valid, the reason can be substantiated, and, that deviations should not be used in the case of poor planning.



There were a number of matters that the Committee raised with management with regard to the adequacy, reliability and accuracy of reported financial information. The completeness of reported irregular expenditure as well as the accuracy thereof was still raised as a matter to improve upon for sustained unmodified external audit opinions.

## RISK MANAGEMENT

The Committee observed that the movement in terms of mitigating the reported risks of the City from the perspective of the risk registers still needed improvement during the year. The scoring on the residual risks also remained slow moving in as far as strategic risk were concerned.

In as far as risks reported by the external auditors, the Committee observed that the Audit Improvement Plan for the City was in place, however, the Committee recommended quarterly reporting of this Plan by management to the Audit Committee for improved oversight.

The Committee noted that the municipality's internal controls still required improvement to ensure that financial statements prepared are free from material misstatements and the current year unqualified external audit opinion remains sustainable.

The Audit Committee notes that although there was little improvement in the management of risks quarter on quarter during the year for both strategic and operational risks, management, was, however, observed to remain committed to risk management as reflected by the activity of the Risk Management Committee, which Committee is Chaired by an independent external person.

## CONCLUSION

The Audit Committee has noted the high rate of implementations of their resolutions by management as a commendable fact. This is an indication that management responds positively to the advices and oversight guidance made by the Audit Committee in carrying out its responsibilities.

The Committee was further involved in the external audit through receiving updates from the AGSA at periodic Audit Committee meetings to which the external auditors have a standing invite as well as at one-on-one meetings with the AGSA.

The Audit Committee therefore implores management to craft SMART (specific, measurable, achievable, relevant, time-bound) action plans for the implementation of the recommendations emanating from the audit, as well as all assurance providers under the Combined Assurance Framework, in order to improve the current control environment.

The Committee is further committed to anti-fraud and corruption principles, including those relating to preventing fraudulent conduct before it occurs, by encouraging a culture within the Municipality whereby stakeholders continuously conduct, and promote integrity in, their dealings with, or on behalf of Municipality.

The Audit Committee would like to express its appreciation towards the officials and all other role players for their diligent attendance and participation at the Audit Committee meetings and we look forward to a continued constructive working relationship with all the relevant parties at the Municipality.

*Snggwala*  
**Mr. S.M. Ngqwala**  
*Chairperson, Audit Committee*



**BUFFALO CITY**  
METROPOLITAN MUNICIPALITY

# BCMM DRAFT ANNUAL REPORT 2021/2022