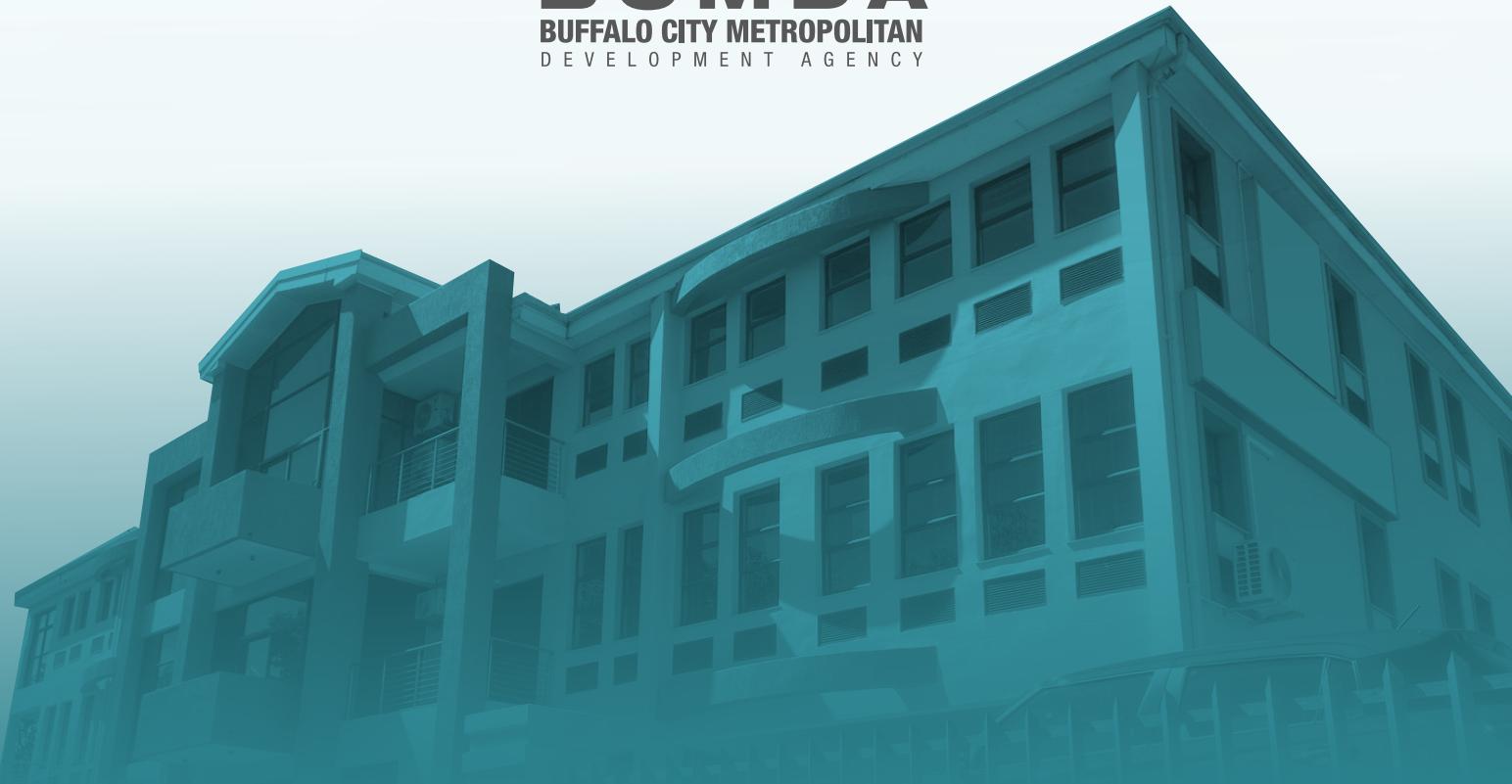




BCMDA
BUFFALO CITY METROPOLITAN
DEVELOPMENT AGENCY



Annual **INTEGRATED**
REPORT
2023 - 2024

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EAST LONDON

BeachFront



MAYOR'S FOREWORD

Ms P Taku



On 1st November 2021, the citizens of Buffalo City Metropolitan Municipality from all walks of life came out and queued up to cast their vote to elect the current Municipal Council. We appreciate and value these citizens who continue to breathe life and nurture the South African democratic project.

Our commitment to the 975 255 citizens of the Metro is still unshakable and unwavering and we are committed to honour the service delivery promises we made on the 6th municipal elections since the dawn of our Democracy.

We value the confidence and faith that the people of the Metro have entrusted this current Council with and know that working together as a collective will honour the social contract that we undertook in 2021. We state that, “the center will hold, the center will continue to be responsive to the citizens of this beautiful Metro”.

SOCIAL COMPACT & ACCOUNTABILITY

The struggle for a democratic South Africa was directed at achieving political freedom, economic freedom, and importantly freedom of expression and participation. This is the social compact we have with our citizens. In living up to this compact, we must accordingly inform and account to our citizens, as outlined by Buffalo City Metro Public Participation Strategy,

“The South African, Act 108 of 1996 explicitly outlined the role of local municipality in enhancing public participation in local government developmental objectives. Section 152 (1) of the Constitution outlined the objectives of local government as:

- To provide democratic and accountable government for local communities.
- To encourage the involvement of communities and community organisations in the matters of local government.”

Our social compact with the citizens of BCMM is not only regulated through the vote, but also called to law through legislation. In this regard, chapter 12, section 121 (1) of the Municipal Financial Management Act (MFMA) states that: “Every municipality and every municipal entity must for each financial year prepare an annual report by 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”

In fulfilling this legislative requirement and honouring our social compact with the citizens of the Metro, it is my honour to present the Buffalo City Metropolitan Development Agency 2023-2024 Integrated Annual Report to the citizens of the Metro, our stakeholders, and the public. The Buffalo City Metropolitan Development Agency (BCMDA) is a municipal entity wholly owned by the Buffalo City Metropolitan Municipality.

THE BCMDA MANDATE

The Agency’s mandate is to increase economic growth through tourism, economic and social development. Further to this, the Agency’s mandate is to advance and drive property development and commercialization of the Metro’s strategic assets. This mandate is directed at bringing value to the Agency’s

primary shareholder, the municipality, by improving the municipality's capacity to execute service delivery, as well as ensuring stakeholder value creation by improving the lives of the citizens of the Metro.

It is for this reason that the Council appointed a dynamic and formidable Board of Directors to serve on behalf of the Council by ensuring the provision of leadership, oversight and accountability from the management of the BCMDA.

ALIGNMENT WITH BCMM

At the core of ensuring the execution of this complex mandate is good governance and alignment between the vision and mission of the BCMDA and that of the Metro. All this work is underpinned by our commitment to the National Development Plan as well as broader global development objectives which include amongst others the Millennium Development Goals.

Our municipality is seized with the objective of improving the leaving conditions for our citizens, as well as their material conditions. It is for this reason that we as the Council continue to mandate the Agency to conceptualise and develop projects that are geared towards achieving a better life for our citizens in the Metro. Our policy position and strategic posture are clear, directed, and consistent. They are grounded by the Metro Growth Strategy which was launched in the 4th BCMM Council.

Our expectations from the Agency are clearly mapped out in our Service Delivery Agreement that we have committed to. It is therefore encouraging to see that concrete strategic alignment of core service delivery objectives as outlined in the Metro Growth Strategy are being attended to by the Agency.

These at the core seek to ensure that:

- Improving the material conditions of our citizens through inclusive and sustainable economic growth.
- Improving the logistics network and connectivity within the city to allow for improved social and economic transactions.
- Improving our spaces by advancing programmes that keep the city clean and environmentally sustainable in order to improve the quality of life of our citizens.
- Improving our provision of infrastructure to our citizens to ensure that the Metro

remains an attractive destination for investment and an ideal space for our citizens in urban, rural and townships.

GOVERNANCE AND PERFORMANCE

The Agency continues to maintain good quality governance systems as well as accounting practices as required by the MFMA, the Systems Act, and the King Code on Good Governance, amongst other core governance guiding documents. By the commencement of the financial year under review we appointed a Board of Directors for the Agency after careful consideration of the applications we received. We also appointed a new Audit and Risk Committee. These initiatives were targeted at grounding and stabilizing the organisation. During the course of the year due to other pressing commitments, we suffered some resignations from our board including the chairperson Ms Pietersen.

We thank the service of these committed citizens and assure the public and our stakeholders that we have already taken steps to address these vacancies and as of the end of the year under review a recruitment drive had already been initiated. I thank the existing board that have been able to keep the ship stable under the leadership of Mr. Delima, the interim board chair.

It is equally pleasing to inform the public that under the year in review, the Agency was able to achieve a 64% performance level against its targets set in the annual performance plan. This level of achievement marks an improvement from the previous year's performance, where the agency was able to achieve only 51% due to turbulent challenges in the organisation's executive management. The appointment of a CEO has started to show possible positive signs and the improvement in this year's performance has re-established a trend that we are hopeful will be sustained in the next years to come.

SHAREHOLDER VALUE & STAKEHOLDER VALUE CREATION

The BCMM is the sole shareholder of BCMDA and hence all its efforts and energies must be directed at generating value for the shareholder and the citizens of the BCMM who are the primary stakeholders and beneficiaries that the BCMDA must address. This means at the core of its work and projects that it

designs and rolls out must be work directed at improving revenue generation, supporting service delivery initiatives, improving the investment climate, and the level of investment. These efforts must contribute to sustainability for the shareholder.

The work must contribute to ensuring that the Agency is able to sustain itself. There are still a lot of improvements that the agency still has to make in a number of its delivery service obligations, however, we are pleased that there are good stories that can be told about its contribution to our Metro.

At a macro level, the Agency is well aligned to our strategic projects as outlined in the Metro Growth Strategy (MGDS). Out of the eleven (11) MGDS targeted projects, the BCMDA has been participating in six (6) of these projects, these include the following:

- The regeneration of the inner city, where through projects such as Sleeper Site, the public art programme, and the cleaning and greening programmes. The face of the city is starting to have an identity and a better look. The BCMDA cleaning and greening programmes have generated and sustained over 280 jobs during the year under review.
- The revitalisation of the West Bank where the BCMDA has been active in developing the Water-world precinct.
- Investment in existing facilities, including the racetrack, where the agency has been seized with securing credible investment.

- Supporting work towards the upgrade of the East London Port through developing plans for investment and commercialization of the port.
- Bisho-King William's Town/ Qonce revitalization corridor, where the agency has supported urban upgrades in the center of Bisho, as well as supported cleaning and greening activities.
- The Berlin/Ntabozuko green hub where the Agency has been working on securing investment.

A significant amount of this work is still under process but must be completed, and the citizens of the Metro expect to see practical, tangible results and completed projects from the Agency. The opening of the Baby-Lee Jegels Park, formerly known as Court Crescent, was a significant achievement by the Agency and shows the type of practical results that we want to see.

As the Agency moves forward, it is very important to ensure that it maintains its character by keeping its sight focused on targeted initiatives so that it does not find itself over-extended and losing its sight and effectiveness.

This is why we are looking forward to concretising the parameters of the mandate and functions of the Agency with the Board through the review of the Service Delivery Agreement in the next financial year.



P FAKU
HONOURABLE EXECUTIVE MAYOR



EAST LONDON – SIDE VIEW

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CHAIRPERSONS STATEMENT

Mr M Dilima

I am honoured to present the 2023-2024 Buffalo City Metro Development Agency Annual Report on behalf of the Board of Directors. This Board took office in September 2022 as an interim structure and was confirmed in August 2023, effectively during the time of this report we would have served our first official year as the board. At the core of our collective efforts there has been the singular objective of ensuring that the necessary oversight systems and structures are in place as guided by the Municipal Systems Act, the Municipal Structures Act, the Municipal Financial Management Act as well as the King Four Report on Corporate Governance.

The King Four Report is more precise in directing the Board to lead ethically, create a culture of ethics, create public value, meaningfully report performance, be custodians of corporate governance, ensure delegation, evaluate performance, govern risk, govern technology, ensure compliance with applicable laws, remunerate fairly, create an effective control environment and adopt stakeholder-inclusive approaches. The Board plays these roles on behalf of the municipal Council of the Buffalo City Metropolitan Municipality (BCMM)

This Integrated Annual Report Marks the 7th year that the Agency has been in operation subsequent to the Council approving its existence and mandate in the 2015 December Council. The report accounts for the performance that the Agency undertook during the 2023-2024 financial year and is accordingly marked against the 2023-2024 Annual Performance Plan that was approved by the Board of Directors. In line with the tenants of good governance, organisational accountability, and sustainability we present this Integrated annual report to provide the shareholder, stakeholders, and our partners with an account of the BCMDA's performance under the year in

review as well as an opportunity to get a glimpse into our strategic agenda for the upcoming years.

POLICY DEVELOPMENT AND BOARD OVERSIGHT

The Board is constituted of members with a 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. Fundamental to this work is to ensure that the BCMDA has the legislatively required policies to ensure compliance as an entity of the state. Policies are important because they define what is and is not acceptable in the organisation. When developed in the right way, they ensure that all activities undertaken in the organization occur with the simple aim of ensuring the organization works in a regulated and predictable manner.

In this regard, the Board convened a Policy Review session where management was requested to present all new policies as well as review and update existing policies. We view this exercise as quintessential to keeping up with the ever-changing workplace and organisational culture. To this end, management presented a raft of policies, over 40 which the board attentively engaged on. This included the review of the social media Policy, the ICT End-user Policy, the Fraud and Risk Policy, and the Financial Management Policy to name a few. Some of the new policies that were introduced during this process include amongst others: the Employee Placement Policy, the Working from Home Policy, the Stakeholder Policy, the Investment Promotion Policy, and the Tourism Policy.

I am pleased that on the main, we were in agreement with management on the policies that were presented to us and look forward to management affecting the necessary changes that we recommended on the policies. We urge management to act fast on making these changes so that the Board can ratify them within the commencement of the new financial year 2024-2025.

STRATEGIC POSITIONING

At the core of the Board's work is the continued pursuit of creating an equitable and just society through the improvement of the local economy. It is in this way that we ensure continual value creation for the shareholder. Our mandate is therefore underpinned by the strategic objective of supporting the realisation of the Buffalo City Metropolitan Growth Development Strategy (MGDS). Which at the core highlights the four critical objectives of the Buffalo City

Metropolitan Municipality as well as the Development Agency:

- 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

The Board has engaged management continuously throughout the course of the year under review to ensure that our mandate and strategy are well embedded and aligned to the vision, mission and strategy of the parent municipality. To this end, the board reaffirmed the strategic vision of the Agency during its strategic planning session and outlined the following BCMM -BCMDA strategic alignment framework.

MBCMM MGDS2030 Pillars	BCMM Outcomes	BCMDA Outcomes
Strategic pillar 1: An inclusive and sustainable economic growth	Strategic Outcome 1 An innovative and productive City	Outcome 1: A Dynamic tourism attraction ¹ .
Strategic pillar 2: A globally connected city	Strategic Outcome 3 Connected City	Outcome 2: Attractive home for global investment and sustainable economic development.
Strategic pillar 3 A clean and environmentally sustainable city	Strategic Outcome 2 A Green City	Outcome 4: Deliver socio-economic development programs.
Strategic pillar 4: A spatially transformed city	Strategic Outcome 4 Spatially transformed City	Outcome 1: A Dynamic tourism attraction Outcome 3: A robust property market
Strategic pillar 5: A well-governed city	Strategic Outcome 5 A well-governed City	Outcome 5: Well-governed and viable Agency.

We are pleased to note that indeed we have been able to achieve a well-aligned and systematically synergised strategic alignment between the BCMM and the Agency.

BOARD FUNCTIONALITY AND OVERSIGHT

The of commencement 2023-2024 financial year saw the consolidation of the work that had been undertaken in setting up the board as well as its supporting committees in the previous year 2022-2023. To this end, the board was able to meet all its required quarterly oversight meetings and engagements with management. Apart from convening its necessary quarterly meetings, the board was able to seat and hold its other

expected oversight responsibilities which included amongst others; engagement with the Auditor General on the audit outcomes, the approval of the adjustment budget and adjusted annual performance as well as seat for the approval of the 20224-2025 budget and annual performance. The board was able to also hold its strategic planning session as well as a special policy review session. All in all, the Board set 12 times.

¹ BCMM strategic outcome 1 also includes **Outcome 2:** Attractive home for global investment and sustainable economic development. Outcome 4: Deliver socio-economic development programs.

Type of Committee	Board and Committees
Board	12
Governance Committee	1
Organisational Committee	5
Project Development & Investment	4
Audit and Risk Committee	5

Sub-committees continued with their specialised committee work, these include the Governance Committee, Organizational Committee, the Project Management & Investment Committee as well as the Audit and Risk Committee. A significant amount of work that was initially allocated to the Governance Committee was merged with Board sessions, it is for this reason that the committee only met once. The other committees on average met on a quarterly basis. During the year under review, we witnessed the end of the term of the Audit and Risk Committee that had been Chaired by Mr. Ngqwala and the appointment of a new committee under the chairmanship of Mr. Luswazi. We thank Mr. Ngqwala, Ms. Maqwati-Naku, and Mr. Maharaj for their commitment to the BCMDA and for ensuring that management and the organisation maintain high-quality control systems. We welcome Mr. Luswazi, Ms. Mudau, and Mr. Son as the new team and are optimistic about future improvements in the organization's internal control systems.

Our performance as an organisation is starting to show possible improvements from our organisational stabilization attempts after the 2022-2023 annual performance of 51%. The Agency performed better during the year under review and was able to achieve 67%. We will work with management by creating the necessary policy environment to achieve this, as well as providing the necessary strategic leadership for performance improvement.

CRITICAL PENDING MATTERS TO FOSTER GOOD GOVERNANCE

As we went through the year, the board witnessed a number of resignations due to various opportunities and commitments that faced its members. On behalf of the existing board members, I, therefore, wish to thank the previous board chair, Ms Pietersen, our former board chair, for her leadership and stewardship. I would also like to extend my appreciation for the comradery attitude and collective approach to our work that was exhibited by Mr. Van Wyk, Mr. Toni, and Ms Kumbaca who also resigned from the board. The vacancy level has posed a challenge to the functionality of the Board and I must thank the currently existing members of the Board for their flexibility and support in making sure that all required functions of the Board were carried out during the year under review.

As we move to the 2024-2025 financial year, we look forward to addressing the matter of the vacancy in the board. Other critical governance matters that will also be a priority for us in terms of governance issues include organisational development and staff recruitment and retention; the holding of our Annual General Meeting to approve this Integrated Annual Report as well as the previous year's one. We will also prioritize the updating and signing of the Memorandum of Incorporation of the Agency as well as the Service Level Agreement of the Agency and the BCMM.

Having made significant progress in stabilizing the governance and systems of the organisation, the focus for the next financial year will be on setting up the Agency on a path for improved performance, this will not be easy and without its own challenges but with the support of the Executive Mayor, the City Manager and his team, the BCMDA board, and Executive, it will be achieved.



MR. M DILIMA
CHAIR OF THE BOARD





CHIEF EXECUTIVE OFFICERS

Mr A Gqoboka

Adam Smith, in his foresightedness, observed that “a nation is not made wealthy by the childish accumulation of shiny metals, but it is enriched by the economic prosperity of its people.” BCMDA is mandated to enrich the economic prosperity of her people. It has been an utmost privilege to be charged to co-chart the economic prosperity pathways towards building the economic fortunes of Buffalo City Metropolitan Municipality through the implementation of multi-sectoral concerted economic projects.

South African Constitution Section 41(1)(c) mandates that all spheres of government and organs of state be effective, transparent, accountable, and coherent. The BCMDA Integrated Annual Report for the financial year 2023/24 is a constitutionally entrenched and protected discipline whose adherence proves the deepened democratic process and the rule of law in managing public affairs.

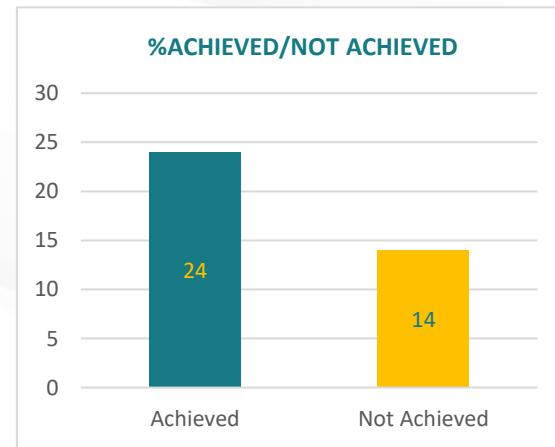
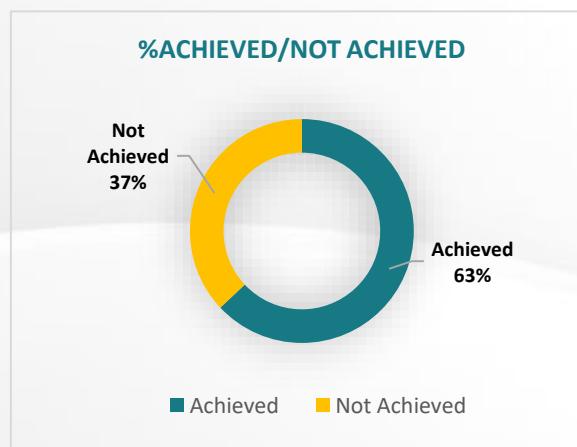
PEOPLE

Through its governance structure, staff, and management teams, BCMDA has demonstrated its ability to build core organizational resilience to fulfil its mandate. The staff and management have adopted a highly spirited approach to weathering the proverbial storms the organization has faced in tackling a multifaceted array of challenges. This has set the stage for the remainder of the 2023-2024 financial year.

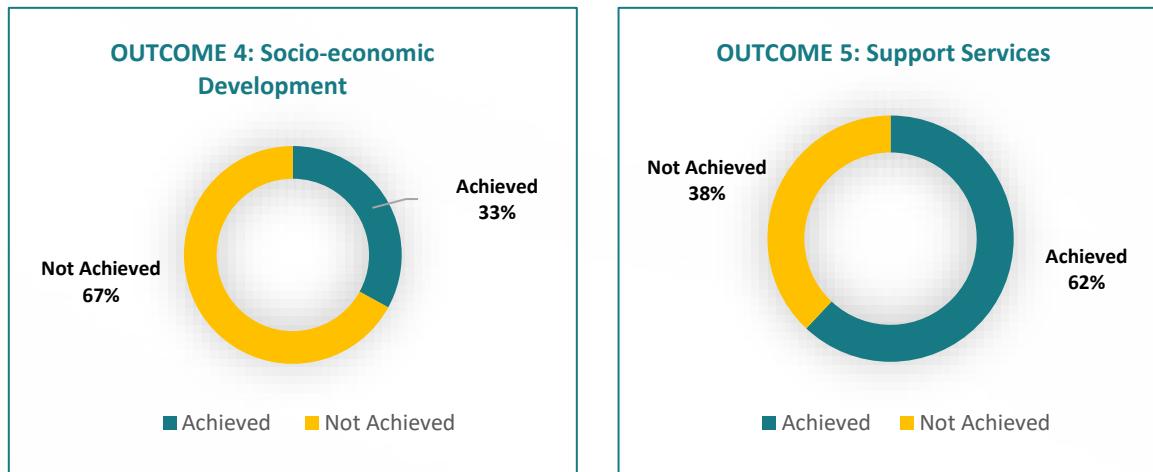
GOVERNANCE

Through the people-centered governance process, internal and sectoral investment policies have been reviewed. These policies were subjected to an independent quality assurance process. The quality assurance process found our policies credible and fit for purpose. The policies were then presented to the Board and were approved.

Organisational Performance



During this financial year, the Agency was able to achieve 24 targets out of a total number of 38 targets. This represents an overall achievement of 63%.

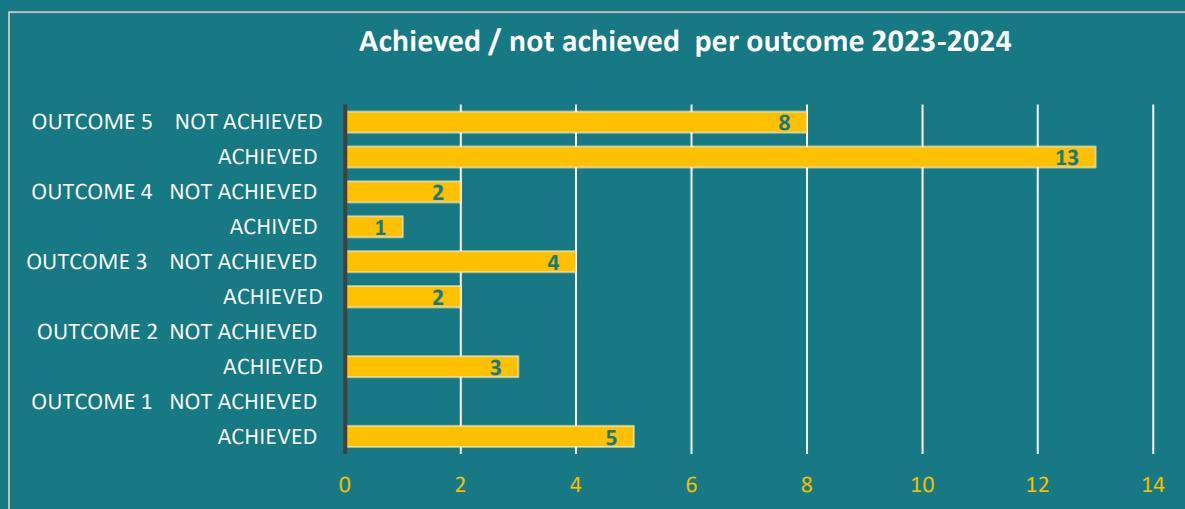


On the main, outcome 1 and outcome 2 were able to achieve 100% of the targets that were set. These two outcomes respectively are for tourism development as well as investment promotion



OUTCOME 3, which deals with property development and revitalization of spaces, was able to achieve only 2 out of six targets, these deal with the initiation of two socio-economic projects as well as support to our investment unit by providing the necessary planning support and documentation for our property investment deals.

We are, however, not able to complete the Waterworld project as well as commence with planning work for the Revitalisation of the Esplanade as well as the Winter Strand.

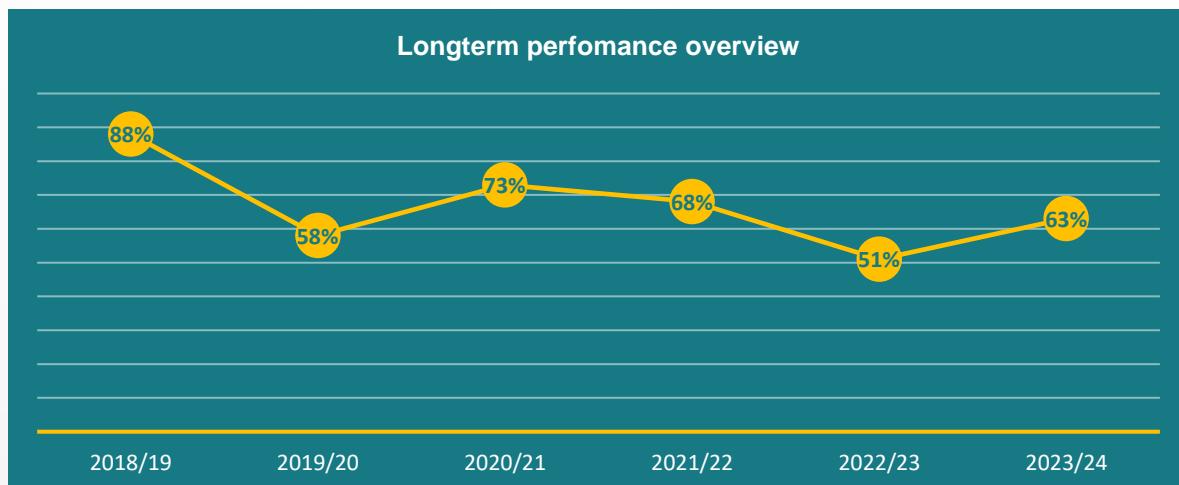


OUTCOME 4, which focuses on socioeconomic development projects, achieved one-third of its targets, specifically creating 210 jobs. Due to budget constraints, the Agency could not deliver on its target to initiate a sector diversification project or partner with and support four corporate social investment projects.

OUTCOME 5, which deals with group support services, including finance, supply chain management, strategy and risk management, communications, human resources, and ICT support, performed better than outcomes 3 and 4. It was able to meet 13 of the 21 targets set, which constitutes 62% achievement.

PERFORMANCE- HISTORICAL OVERVIEW

An overview of the agency's annual performance over the past six years indicates that it has not been able to achieve pre-COVID performance levels, which were set at 88% during 2018-2019. This momentum was disrupted in the 2019-2020 financial year with the onset of the global lockdown due to COVID-19, resulting in a significant 30% drop in performance to 58% for that year, compared to the 88% achievement in the previous year.



Despite this setback, the Agency was able to restore its performance levels to 73% in the 2020-2021 financial year. This performance was sustained in the following financial year, averaging 68% during 2021-2022.

However, the next year saw a sharp decline in performance, dropping nearly 17% to an annual rate of 51%. This decline can largely be attributed to challenges in our capital projects, stemming from budget alignment issues and the reprioritization of spending mid-year. The realignment of the annual performance plan to accommodate land development and construction projects created obstacles in achieving both primary and ancillary targets related to these areas, resulting in unmet goals.

Even after adjusting the targets mid-year, the review did not lead to a change in outcomes due to ongoing legal, construction, and investment facilitation issues concerning land parcels, as well as the financial challenges faced by the Agency. However, I am pleased to report a significant improvement in the organization's performance this financial year. We have recovered by 12% from the previous year's record low of 51% and met 63% of our targets.

A milestone of the agency's performance during this year was the completion of its first major project, the Court Cresent, which was officially opened in December 2023 by the honourable Premier of the Eastern Cape, the Honourable Executive Mayor of the BCM, and other dignitaries. This achievement has installed public confidence in the Agency's ability to deliver. However, the challenges in the Agency's second major capital project, the Water World, continue to haunt the agency's performance report and generate negative public sentiment.

FUTURE OUTLOOK

The Agency remains largely dependent on the BCMM for project funding and its operations. This trend is expected to continue for the foreseeable short to medium term. Despite this situation, the agency has begun to explore alternative funding solutions and seek new revenue-generating options. To this end, over the years, we have been able to tap into the Presidential Stimulus Fund for our tourism development work, public art, and beautification programs. We also welcome the support that we have received from the National Treasury for our pioneering work on the circular economy through waste management initiatives across the Metro and especially in Duncan Village.

These alternative project funding sources have enabled the BCMDA to create much-needed jobs in the metro; we are pleased that BCMDA has created over 200 jobs in BCM during this financial year.

Our work in investment promotion also offers the agency opportunities to increase our revenue streams further. To this end, I am pleased to indicate that we have made concrete advances in our three key investment projects: the Sleeper Site, the Water World, and Seaview Terrace. During negotiations with investors, we settled on a 1.5 % position for a BCMDA development facilitation fee. I am further pleased that the Council upheld this position and endorsed our negotiation positions.

The Agency had an approved 2nd adjusted budget of R105.0 million, which includes an operational budget of R90.8 million and a capital expenditure budget of R14.2 million. In the R90.8 million operational budget, with grant funding being the majority, R50.6 million was allocated as an operational grant, R5 million as an Eastern Cape Development Corporation grant for film infrastructure, R16.1 million as a Neighbourhood Development Grant, R16.9 million as a Public Employment Programme from its parent municipality, Buffalo City Metropolitan Municipality, herein referred to as BCMM and the remainder being other income as detailed below.

It is with immense gratitude to the entire team and management from all departments, as well as Internal Audit Services, for ensuring that BCMDA continues to achieve an unbroken track record in unqualified audit outcomes. We are invigorating the work of the BCMDA and have crafted a new business model for the agency. We are now focused on driving the organization toward future success.



A. GQOBOKA
CHIEF EXECUTIVE OFFICER



The Agency had an approved 2nd adjusted budget of R105.0 million, which includes an operational budget of R90.8 million and capital expenditure budget of R14.2 million. In the R90.8 million operational budget with grant funding being the majority, R50.6 million was allocated as an operational grant, R5 million as an Eastern Cape Development Corporation grant for film infrastructure, R16.1 million as a Neighbourhood Development Grant, R16.9 million as a Public Employment Programme from its parent municipality, Buffalo City Metropolitan Municipality, herein referred to as BCMM and the remainder being other income as detailed below.

Financial Performance as at 30 June 2024

Table 1: Statement of Financial Performance

Description	Approved 1 st adjusted budget (2023/24)	Approved 2 nd adjusted budget (2023/24)	Year to date actual	Variance	% Variance
Revenue	69 069 634	105 099 533	80 479 653	24 619 880	23%
BCMM Grant – Operational	53 182 078	50 682 078	44 071 372	6 610 706	13%
BCMM Grant – Capital Projects	5 000 000	13 398 667	9 784 879	3 613 788	27%
Neighbourhood Development Programme Grant	-	16 143 125	2 913 820	13 229 305	82%
ECDC Grant	-	5 000 000	4 347 826	652 174	13%
Public Employment Programme Grant	9 404 139	16 966 837	16 742 492	224 345	1%
LGSETA Grant	56 304	46 980	46 980	0	0%
Project Management Fees	400 000	1 071 893	782 790	289 103	27%
Interest Received	1 027 113	1 686 008	1 686 008	0	0%
Rental of Facilities	-	103 645	90 126	13 519	13%
Other Income	-	300	13 360	-13 060	-
Expenditure	69 069 634	105 099 533	73 464 392	31 635 141	30%
General Expenditure	17 508 924	25 569 932	14 101 227	11 468 705	45%
Employee Related Costs	32 698 123	29 107 207	26 485 813	2 621 394	9%
BCMM Recreational projects expenditure	5 000 000	13 398 667	9 784 879	3 613 788	27%

Description	Approved 1st adjusted budget (2023/24)	Approved 2nd adjusted budget (2023/24)	Year to date actual	Variance	% Variance
Neighborhood Development Programme Grant	0	16 143 125	3 247 239	12 895 886	80%
Board Fees	2 473 119	1 992 201	1 992 201	0	0%
Depreciation	874 958	1 086 308	1 083 428	2 880	0%
Finance Charges	2 228	27 113	27 113	0	0%
Public Employment Programme Grant	9 404 139	16 966 837	16 742 492	224 345	1%
Operating Surplus/Deficit	R0	R0	R7 015 261	-R7 015 261	
Capital Expenditure	1 108 143	808 143	677 237	130 906	16%

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 2024, 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 an operating surplus of R7 015 261 on the planned budget.

Revenue

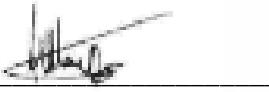
From the revenue sources depicted in the table above, there is an overall variance of 23% for the period ended 30 June 2024. This is below expectation and the reasons for this are outlined below:

- a. There is 13% variance on the BCMM operational grant and ECDC grant are due to output VAT accounted for on the operational grants by virtue of being a profit-making organisation.
- b. There is 27% variance on the BCMM recreational projects based on the claims submitted and certified by the City. The said project revenue and related expenditure resulted in a difference of R9.7 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.
- c. There is 82% variance on the Neighbourhood Development Grant. The Duncan Village Buy Back Centre will now be constructed in the 2024/25 financial year and majority of the budget for the 2023/24 financial year was towards the planning and designs stage of the buy-back centre, commencing with construction and salaries for the workers. The budget was mostly used for salaries and project management services hence the high variance.
- d. The Public Employment Programme Grant has a variance of 1% as the programme was fully implemented during the 2023/24 financial year.
- e. Own revenue is mainly made up of interest received from the bank, tender documents fees, project management fees which are based on claims submitted, gain on disposal of assets and inventory-related revenue.

Expenditure

There is an overall under expenditure of 30% emanating mainly from the following:

- a. The Neighbourhood Development Grant and Public Employment Programme have variance of 80% and 1% respectively, reasons are the same as above.
- b. There is 16% on capital operating expenditure, which was caused by finance assets and procurement processes which were underway by year end.
- c. There was 46% variance on general expenditure line item resulting from delayed expenditure on items carrying huge budget within general expenses.
- d. Interest incurred was on finance leases which were taken during the financial year



MR. A MANCIYA
ACTING CHIEF FINANCIAL OFFICER



KING PHALO AIRPORT

KING PHALO AIRPORT

 Departures

GOVERNANCE

ABOUT THE REPORT

GOVERNANCE

1. ABOUT THE REPORT

The preparation of the Integrated Buffalo City Metropolitan Development Agency (BCMDA) annual report is guided by circular 63 (of 2012) of the Municipal Finance Management Act (MFMA) (2003), issued by the National Treasury and the Company's Act of 2013. 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 MFMA prescribes the content municipalities should cover in their annual reports in chapter 12 “Financial Reporting and Auditing” section 121 to section 134 and circular 63 of 2012 relating to municipalities and municipal entities. In this regard the 2023/24 integrated annual report provides the required data and tables, in line with the above the purpose of this report is to:

- a. Provide a record of activities of the Agency during the financial 2023/24
- b. Provide an account of the performance against the budget of the Agency for the 2023/24 financial year.
- c. 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.
- d. 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 2022/23 integrated annual report also considers the financial, social and economic factors in reporting on the BCMDA's operations. The guidelines applied include:

- a. Reporting requirements as per the Municipal Finance Management Act No. 56 of 2003, Circular 63 (MFMA)
- b. The South African Statements of Generally Recognised Accounting Practice (GRAP)
- c. Section 46(1) of the Municipal Systems Act (2000).
- d. King Code of Governance for South Africa
- e. National Treasury Guidelines and Regulations
- f. Company's Act of 2013

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 2: Internal and External Materiality

<i>Internal Criteria</i>	<i>External Criteria</i>
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 (BEE) code.

Material issues are embedded into the company's processes in at least the following four ways that ensure efficiency and impact:

- a. **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.
- b. **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.
- c. **Stakeholder engagement:** To provide a framework to design stakeholder engagement strategies and a powerful tool to help identify opportunities for dialogue and collaboration.
- d. **Reporting:** To determine the scope of reporting and other communications so that they are more strategically aligned and useful to external stakeholders.



COMPONENT A

GOVERNANCE STRUCTURE

COMPONENT A: GOVERNANCE STRUCTURES

2.1 CORPORATE 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 Company Secretary was outsourced from 01 July 2023 up until end November 2023 where the in-house Company Secretary was appointed and execution of duties commenced on the 01 December 2023. On the 06 May 2024 Company Secretary resigned and the Agency is in use of the services of the outsourced Company Secretary up until appointments are completed.

GOVERNANCE

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.

BOARD MEMBERS



Mandilakhe Dilima

Interim Board Chairperson

Mxolisi Sibam

Board Member

Ngcane Madikizela Rene

Board Member

Nobantu Sakube Ndevu

Board Member

Zukisa Faku

Board Member

2.2 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 July 2023 until 30 June 2028. Due to the vacancy in the position of the CEO the board appointed Mr Mxolisi Sibam to act as interim CEO, subsequently he was succeeded by Mr Siyabulela Peter on the 16th of August 2023 as Interim CEO up until 30 December 2023. The recruitment processes for a new CEO of the BCMDA was concluded near the end of the 2023 and the Board appointed Mr Ayanda Gqoboka as the Chief Executive Officer as of 1 January 2024 for a period of 5 years.

The Board is constituted as follows:

- Nine non-executive Directors, and one member resigned on the 31 of October 2023 and the Board Chairperson resigned on the 26 January 2024, thereafter the Interim Board Chairperson was appointed in February 2024.
- 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 Board is constituted by members with a 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.

Table 3: Board of Directors

Board Member	Capacity	Gender	Qualifications/skills/ expertise	Committee Membership
Ms. Nolitha Pietersen	Chairperson of the Board	Female	<ul style="list-style-type: none"> - Master of Business Administration (MBA), NMMU Business School CA (SA), SAICA - BCom Accounting Honours & CTA, University of Johannesburg - BCom Accounting, University of Fort Hare - Matric, Word Faith Christian School 	GSEC Member
Ms. Nobantu Sakube Ndevu	Member	Female	<ul style="list-style-type: none"> - Diploma in Education - School Management, Rhodes University - Computer Literacy 	PDIC & OC Member
Mr. Noel Van Wyk ²	Member	Male	<ul style="list-style-type: none"> - Higher Diploma in Education, BA Hons. Master of Arts, University of the Western Cape - Postgraduate Diploma Business Management, University of Kwa-Zulu Natal - MBA, University of Sunderland (UK) - Computer Training 	OC Chairperson, PDIC & GSEC Member
Mr. Vuyo Mandilakhe Dilima	Member	Male	<ul style="list-style-type: none"> - Master of Business Leadership, UNISA - Diploma Science Education - Advanced Diploma, B Eng. (equivalent) Environmental Engineering - B Tech Civil Engineering - Project Management - Labour Intensive Construction Level 5 	GSEC Chairperson & PDIC Member
- Mr. Mxolisi Sibam	- Member	- Male	<ul style="list-style-type: none"> - Corporate Governance Certificate, University of Johannesburg - Project Management Certificate, Rhodes University Business School - Registered Associate General Accountant AGA(SA), SAICA - Post Graduate Diploma in Accounting (PGDA), Rhodes University - BCom (Accounting & Commercial Law), Rhodes University - Matric, Hector Peterson High School 	- OC & PDIC Member
- Mr. Sindile Toni	- Member	- Male	<ul style="list-style-type: none"> - National Diploma in Security Risk Management (Current Studies), UNISA - National Diploma: Policing - National Certificate in Policing: SASSETA 2008 - Certificate in Basic Policing: SASSETA 2005 - Basic Computer Literacy Certificate for Public Service Delivery for Ward Committee & Councillors: Project Administration Services - Local Labour Forum Training - Psira (Grade E-A) - FSCA Certificate (Finance) - Matric, Jongilanga Senior Secondary School 	- OC & PDIC Member
- Ms. Andisiwe Kumbaca	- Member	- Female	<ul style="list-style-type: none"> - Bachelor of Administration (Hons), University of South Africa (UNISA) - Bachelor of Arts (Hons), UNISA - Bachelor of Social Sciences, University of Cape Town (UCT) - NSC, Pretoria High School for Girls 	- OC & PDIC Member
- Ms. Ngcane Mnadikizela-Renene	- Member	- F	-	- OC Chairperson, PDIC & GSCE Member
- Ms. Zukisa Faku	- Member	- F	-	- OC & PDIC Member

² Mr N. Van Wyk resigned as a board member in October 2023. Ms. N Pietersen resigned as a board member in January 2024. Ms A. Kumbaca and Mr S. Toni resigned as a board members in June 2024 .

2.2.1 Board Meeting Schedule and Attendance

Table 4: Board meetings

Date	Ms Pietersen	Ms Ndevu	Mr Van Wyk	Mr Dilima	Mr Sibam	Mr Toni	Ms Kumbaca	Ms Renene Madikizela-	Ms Faku
31 Jul 2023	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
28 Aug 2023	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13 Oct 2023	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
07 Nov 2023	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
29 Nov 2023	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
14 Dec 2023	Yes	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
19 Jan 2024	Yes	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
05 Mar 2024	N/A	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
12 Mar 2024	N/A	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
19 Mar 2024	N/A	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
27 May 2024	N/A	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
21 June 2024	N/A	Yes	N/A	Yes	Yes	N/A	N/A	Yes	Yes

Mr. Toni and Ms. Kumbaca resigned in June 2024.

2.3 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 2023-24 financial year:

2.3.1 Governance Committee Meeting Schedule & Attendance

Table 4: Board meetings and schedule and attendance

Date of Meeting	Mr Dilima	Mr Toni	Ms Madikizela-Rene
28 February 2024	Yes	Yes	Yes

2.3.2 Organisational Committee Meeting Schedule & Attendance

Table 5: Organisational committee meetings

Date of Meeting	Mr Van Wyk	Ms Madikizela	Ms Kumbaca	Ms Sakube-Ndevu	Ms Faku	Mr Sibam
12 July 2023	Yes	Yes	Yes	Yes	Yes	N/A
25 August 2023	Yes	Yes	Yes	Yes	Yes	Yes
26 October 2023	Yes	Yes	Yes	Yes	Yes	Yes
29 February 2024	N/A	Yes	Yes	Yes	Yes	Yes
15 May 2024	N/A	Yes	Yes	Yes	Yes	Yes

- Mr Sibam was appointed as interim CEO on the 23 January 2023 up until the 15 August 2023.
- Mr Van Wyk resigned as Board Member in September 2023.

2.3.3 Project Development & Investment Committee Meeting Schedule & Attendance

Table 6: Project Development Committee meetings

Date of Meeting	Mr. Toni	Ms Madikizela-Renene	Ms Kumbaca	Ms Sakube-Ndevu	Ms Faku	Mr Sibam
11 Aug 2023	Yes	Yes	Yes	Yes	Yes	N/A
18 Oct 2023	Yes	Yes	Yes	Yes	Yes	Yes
29 Feb 2024	Yes	Yes	Yes	Yes	Apology	Yes
14 May 2024	Yes	Yes	Yes	Yes	Yes	Yes

2.3.4 Audit and Risk Committee meeting schedule and attendance

Table 5: Outgoing Risk Committee meetings

Date of meeting	Mr Ngqwala	Mr Maharaj	Ms. Maqwati-Naku
21 Aug 2023	Yes	Yes	Yes
24 August 2023	Yes	Yes	Yes
25 Oct 2023	Yes	Yes	Yes
18 January 2024	Yes	Yes	Yes

- The ARC Committee shares the services with the Parent Municipality. The three-year term expired in July 2023 and the parent Municipality extended it for one month and then later extended to three months up until 30 December 2023. This was further extended to May 2024.
- The BCMM appointed a new ARC to serve the Metro which the BCMDA also share services with.

Table 6: Incoming Risk Committee meetings

Date of meeting	Mr Luswazi	Mr Son	Ms Mudau
28 May 2024	Yes	Yes	Yes

2.3.5 Role of the Company Secretary

- Ensuring compliance to the provisions of Companies Law and rules made there-under and other statutes and policies of the Agency.
- Ensuring that Business of the Agency is conducted in accordance with its objects as contained in Memorandum of Incorporation (MOI).
- Ensuring that the affairs of the Agency are managed in accordance with the provisions of the law.
- Develop framework to ensure that the organisation complies with relevant statutes.
- Preparing, approving, and signing agreements, leases, legal forms, on behalf of the Agency when authorised.
- Engaging legal advisors and defending the rights of the Agency in Courts of Law; and
- Advising the Chief Executive and other executives in respect of legal matters.
- Providing legal opinions and advice to the Board on relevant legislation as and when required.
- 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.
- Attend Board meetings and all subcommittee meetings as per outlined in the Board meeting calendar;
- Ensuring that minutes of all Board, Board Subcommittee meetings, any meeting involving the Board or its subcommittee are properly recorded in accordance with the Companies Act. The minutes will be prepared by the Company Secretary (preferred bidder) and made available for review by the BCMDA and subsequently submitted to the BCMDA Board within 7 working days after each meeting held;
- Preparation, updating and maintenance of Board and Sub-Committee resolutions register;
- Ensuring and confirm that the company's annual financial statements have been certified and whether the company has filed required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date. The Company Secretary will be responsible for certification of the Annual Financial Statement.
- Attend to CIPC Requirements including but not limited to Filing of Annual return, Audited AFS, updating directors details and MOI amendments.



COMPONENT B & C

INTERGOVERNMENTAL RELATIONS &
STAKEHOLDER MANAGEMENT

COMPONENT B AND C: INTERGOVERNMENTAL RELATIONS AND STAKEHOLDER MANAGEMENT

3. STAKEHOLDER ENGAGEMENT

BCMDA, being an entity of the state conducts its stakeholder programme guided by the spirit of the Constitution of South Africa that directs all government entities to strive to improve the quality of all citizens. Further to this the agency agenda is informed by the principles of Batho Pele that highlight the following core values:

- a. **Consolation:** All stakeholders should be consulted on the nature, quantity and quality of services to be provided in determine the need and expectations of end users.
- b. **Service Standards:** Citizens should be told what level and quality of public services they will receive so that they are aware of what to expect.
- c. **Ensuring Courtesy:** Citizens should be treated with courtesy and consideration.
- d. **Access:** All citizens should have equal access to the services to which they are entitled.
- e. **Information:** Citizens should be given full, accurate information about the public services they are entitled to receive.
- f. **Openness & Transparency:** Citizens should be told how state organs are run, how much they cost and who is in charge.
- g. **Redress:** Establish a mechanism for recording any public dissatisfaction.
- h. **Value for Money:** Public services should be provided economically and efficiently in order to give citizens the best possible value for money.

3.1 THE VALUE OF ENGAGING

These values are essential to the agency's sustainability, understood as development that meets the needs of the present without compromising the ability of the future generations to meet their needs as outlined in the King Code IV on ethics and governance. In line to this the BCMDA places value on

- a. **Integrated thinking:** considering the connectivity and interdependence between the range of factors that affect an Agency's ability to create value over time.
- b. **Organisation as an integral part of society:** Organisations operate in a societal context which they affect and by which they are affected.

- c. **Stakeholder inclusivity:** There is an interdependent relationship between the organisation and its stakeholders, and the Agency's ability to create value for others. An organization becomes attuned to the opportunities and challenges posed by the triple context in which it operates by having regard to the needs of, interests and expectations of material stakeholders.
- d. **Corporate citizenship:** As the organisation is an integral part of society, it has corporate citizenship status. This status confers rights, obligations and responsibilities on the organisation towards society and the natural environment on which society demands.

More benefits derived from stakeholder engagements are to:

- a. Promote the Agency's business development ambitions.
- b. Support the Agency in moving closer to meeting the objectives of its Financial Sustainability Strategy; and
- c. Allow the Agency to get feedback from citizens and therefore ensure shareholder value generation.

3.2 INTERGOVERNMENTAL RELATIONS

Apart from the Constitution of South Africa, the Batho Pele Principles the BCMDA's stakeholder programme is significantly influenced by intergovernmental relations (IGR) which are governed by the Intergovernmental Relations Act. Inter-governmental relations' means the relationships between the three spheres of government. The South African Constitution states, 'the three spheres of government are distinctive, interdependent and interrelated'.

This relationship enhances the emergence of cooperation rather than competitive federation. Moreover, inter-governmental relations help to accelerate effective and efficient utilization of human and material resources among the three levels of government.

IGR are intended to promote and facilitate cooperative decision-making and ensure that policies and activities across all spheres encourage service delivery and meet the needs of the citizens in an effective way.

3.3 OBSERVATIONS AND TRENDS

The BCMDA continues to attract attention from a myriad of stakeholders, which over the past three years has translated to an average of no less than 40 engagements per quarter. This means that on average the agency holds engagements or participates in engagements with approximately 160 stakeholders from its various business units.

To a huge, large extent, the greater bulk of stakeholders that the agency has been engaged with emanate from the public and private sectors, equating to approximately 80% of total engagements. Both the private and public sector cohorts of stakeholders take up about 50% of this 80%. This indicates that the agency, true to its mandate, effectively straddles the line of being well plugged in with the public sector but also the private sector.

Some of the government entities included in this rubric include organizations such as Transnet, the Eastern Cape Parks and Tourism Agency, Buffalo City Intergovernmental Relations Forum. The private sector is composed of organizations such as Uber, Garden Court, Mercedes Benz.

Nonprofit organisations (NPOs) tend to receive a 20 % of the interactions. This category includes community engagements, the University of Fort Hare, Buntu Boxing Association, and Qonce Sports Veterans.

The agency received most of its engagements in the investment promotion area of work which

tends to account for approximately 25% of engagements. This area of work includes stakeholder work directed at addressing investor needs and progress updates on projects. In advancing the investment promotion and property development agenda, the Agency.

Keen interest was shown from the public sector as well as the private sector in partnerships in our socio-economic projects. Some of our strategic partners in this space include the Border Kie Chamber of Business. This culminated in the signing of an MOU between the BCMDA- the BCMM and the Border Kie Chamber of Business. The Agency is also proud to have initiated a partnership with Walter Sisulu University that is targeted at providing experiential learning for communication and public art students. This work has contributed to over 20 students gaining the necessary experience to complete their academic qualifications.

The Agency continues to engage meaningfully with the tourism community as it rolls out its Heritage Route development program. The feedback and contributions from this community which includes amongst others; tour operators, the hospitality industry, and other public sector bodies such as the Eastern Cape Parks and Tourism Agency is invaluable and serve as a positive sound board for the Agency to test its concepts and ideas. The table below depicts some of the engagements that have taken place throughout the year under review.



Table 7: List of stakeholder engagements

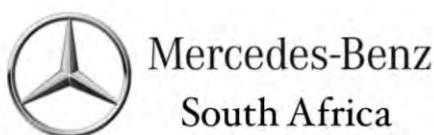
Engagement	Primary Interest	Date
BCMM Council Open Day	Public Service Engagement	June 2023
Chippa United Football Club	Partnership prospects for stadium development	June 2023
Transnet Harbor development	East London Port development	July 2023
Executive KWT Buy Back Launch	Official Opening	July 2023
Kumkani FM	Duncan Village Buy Back Center Opening	July 2023
Keith Ngesi Radio Station	Tabling of BCMDA programs and projects by the ACEO	July 2023
Investors site visit in Qonce	Tourism and Property Development	July 2023
Partneship with Daily Dispatch	Commemorating the Nelson Mandela Day Celebrations Social Interventions to kids home in Quigney	July 2023
BCMM Top Management Strategic Planning	BCMM developmental programs/projects	August 2023
Partneship with the Executive Mayor in celebrating Womens Day	Social Cohesion	August 2023
Quigney Business Sector	Consultation and progress on BCMDA capital projects.	October 2023
Office of the Premier	District Development Model	October 2023
Twin City Development	Investment in Victoria Grounds Development	October 2023
Border Kie Chamber of Business	Progress on tourism development projects	November 2023
Eastern Cape Cricket Association	Progress on Sports and Tourism programs	November 2023
Premier, Executive Mayor and MPAC	Official Opening of the Baby Lee Jegels Park	November 2023
Eastern Cape Development Cooperation	Launch of online funding application and access	November 2023
BCMM	Launch of safety measures during festive season	November 2023
BCMM Investment Conference	Investment partnerships with China	November 2023
ELIDZ Science and Technology Lab Launch	Investment Development	March 2024
Carte Blanche Visit	Water World Fun Park	March 2024
BCMM Rugby fraternity	Sports development	April 2024
Qiugney Business Chamber	Beach Front Tourism	May 2024

PARTNERS AND STAKEHOLDERS



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TRANSNET





COMPONENT D

CORPORATE GOVERNANCE

COMPONENT D: CORPORATE GOVERNANCE

4. 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.

4.1 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.

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.

4.2 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 Agency'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	<i>Risk Management activities must be proportionate to the level of risk faced by the organisation.</i>
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.

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 Agency's ability to manage

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.

4.3 STRATEGIC RISKS OF THE AGENCY

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 strategic risks have been identified by the BCMDA:

1. Ineffectiveness in developing & promoting the city as a tourism destination.
2. Failure to create an enabling environment to facilitate economic development and attract new investments.
3. Poor contract management
4. Failure to establish effective stakeholder involvement in projects.
5. Inadequate profiling of Agency and brand management.
6. Inability to attract and retain experienced and qualified personnel
7. Inconducive office space
8. Effectiveness of budget management
9. Data Recovery
10. Inability to identify, prevent, respond, and recover from potential cyber attacks



Table 8: Strategic Risk register

RISK	PERCEIVED CONTROL EFFECTIVENESS	MITIGATION	ACHIEVED / NOT ACHIEVED
INVESTMENT PROMOTION & TOURISM DEVELOPMENT RISK			
1. Ineffectiveness in developing & promoting the city as a tourism destination	Satisfactory	Develop tourism policy. Support tourism coordination structures	Achieved The tourism policy developed and will be adopted in the next financial year.
2. Failure to create an enabling environment to facilitate	Satisfactory	Develop an investment policy and strategy. Develop SOP for	Archived An investment policy was developed and will be adopted in

RISK	PERCEIVED CONTROL EFFECTIVENESS	MITIGATION	ACHIEVED / NOT ACHIEVED
economic development and attract new investments		investment promotion and facilitation	the next financial year. SOPs for investment promotion have been developed.
PROPERTY PLANNING & DEVELOPMENT RISK			
3. Failure to establish effective stakeholder involvement in projects	Weak	Update Project Management Framework. Update Stakeholder Management Plan.	Archived The project management framework was developed and will be adopted in the next financial year.
STAKEHOLDER MANAGEMENT			
4. Inadequate Brand Management	Weak	Review and update marketing Strategy and Policy	Achieved Policies have been reviewed
HUMAN RESOURCES RISK			
5. Inability to attract and retain experienced and qualified personnel	Satisfactory	To update the Talent, Acquisition Onboarding and Remuneration, Preference Management, and Development policy to respond to the current changes. To update the Retention Policy of the Agency	Achieved Necessary policies were reviewed and updated.
6. Insufficient office space	Weak	Expand office space and advertise for new office space	Archives Office Space advert made of the 31 October
FINANCIAL MANAGEMENT RISK			
7. Under/ overspending on budget	Good	Coof monthly budget statement	Not achieved
8. Poor contract management	Weak	Implementation of contract management on Sage	Not achieved The system has been developed and will be launched in the next financial year.
ICT GOVERNANCE			
9. Data Recovery	Weak	Allocate budget for relocation of BCMDA server	Achieved Serve located at the EIDZ
10. Inability to identify, prevent, respond, and recover from potential cyber attacks	Good	Conduct cyber security assessment, quarterly cyber security awareness training	Achieved Cyber security assessment conducted, and quarterly cyber security awareness training conducted/

During the year the strategic risks of the agency were managed through mitigating the risks in the units. A more balanced approach will be taken during the coming financial year to ensure mitigation measures are implemented systematically within the framework of risk and tolerance framework of the Agency.

4.4 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.

4.5 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.

4.6 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.

As per the MFMA section 124 the financial disclosures for senior managers and Section 56 of the MFAM officials are as follows:

Table 13: Financial Disclosures for Senior Management

No	Surname	Full name	Designation	Declaration
1	Gqoboka	Ayanda	Chief Executive Officer	Yes
1	Busisiwe	Lubelwana	Chief Financial Officer	Yes
3	Noel	Van Vyk	Executive: Corporate Services	No
4	Govender	Kasavan	Executive Manager: Strategy & Research	Yes

4.7 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.

4.8 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 are currently no reported fraud and corruption matters to the Agency.

4.9 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) GOVERNANCE

THE BCMDA ICT unit supports the Agency's business strategy and objectives by enhancing operational efficiency through automation, facilitating better communication, ensuring user connectivity and enabling effective data management and security. Additionally, the ICT unit supports innovation by providing platforms for new products and services and ensuring that all technological resources align with the strategic goals of the Agency. In the financial year under review, the ICT department's focus has largely been on:

- Ensuring High System Availability
- Effective ICT Support
- Cybersecurity Awareness
- Seamless data integration with the parent Municipality Financial System
- Monitoring and Testing of Disaster Recovery site
- Aligning ICT Master Plan to the Business Strategy

By delivering on the aforementioned areas, end-user productivity and confidence with technology were significantly enhanced. The ICT Unit also reviewed the ICT End User Policy (Previously named User Access Management), Telecommunications Policy, ICT Disaster & Business Continuity Plan, Information Security Policy (Previously named ICT Security Controls Policy) and the Governance Framework, and these were submitted to the Board for approval in the year under review.

An 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 interventions in order to minimize the risk exposure of the Agency.

4.9.1 ICT Steering Committees

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.

The committee comprises of the Chairperson (Executive Strategy and Research), CFO, core Business Unit representatives: ICT Management, Property Planning, Development, Legal, and Corporate Services.

There were sitting on the following dates:

Quarter 1: 12 September 2023	Quarter 3: 12 May 2024
Quarter 2: 06 February 2024	Quarter 4: 06 July 2024

4.9.2 Business Continuity/ Disaster Recovery

With critical business processes being automated, that brings heavy reliance on availability of ICT resources 24/7. The Agency has a Cloud-Based Backup, Restore and Replication Solution in the year under review. The solution is 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.

The Agency has also appointed East London IDZ for hosting the BCMDA Disaster recovery (DR) server. The main site server is configured to send full backups to the DR server two times a day and transactions changes are replicated every 30 minutes between the two sites.

As part of disaster recovery planning the ICT unit conducts Disaster Restoration Testing and Failover test on quarterly basis. Business users conduct tests by connecting to the DR server and confirm if they are able to login and view their most recent changes they performed on the production server.



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COMPONENT E

SERVICE DELIVERY AND PERFORMANCE

COMPONENT E: SERVICE DELIVERY AND PERFORMANCE

5. STRATEGY OVERVIEW

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	• Efficiency and effectiveness
• Innovation	• Accessible
• Integration and alignment	• Professional and Accountable

5.1 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.

5.2 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.

5.3 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.

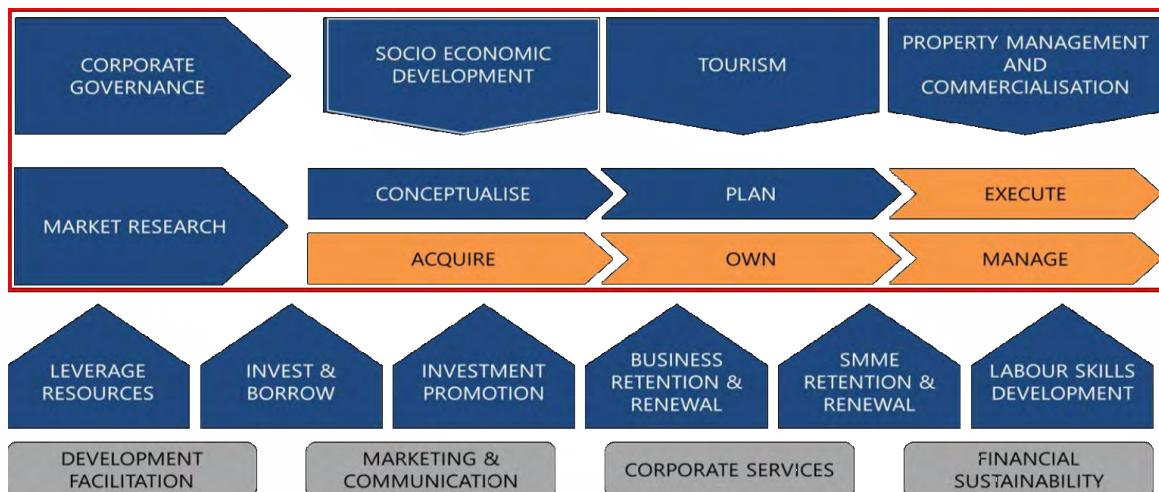
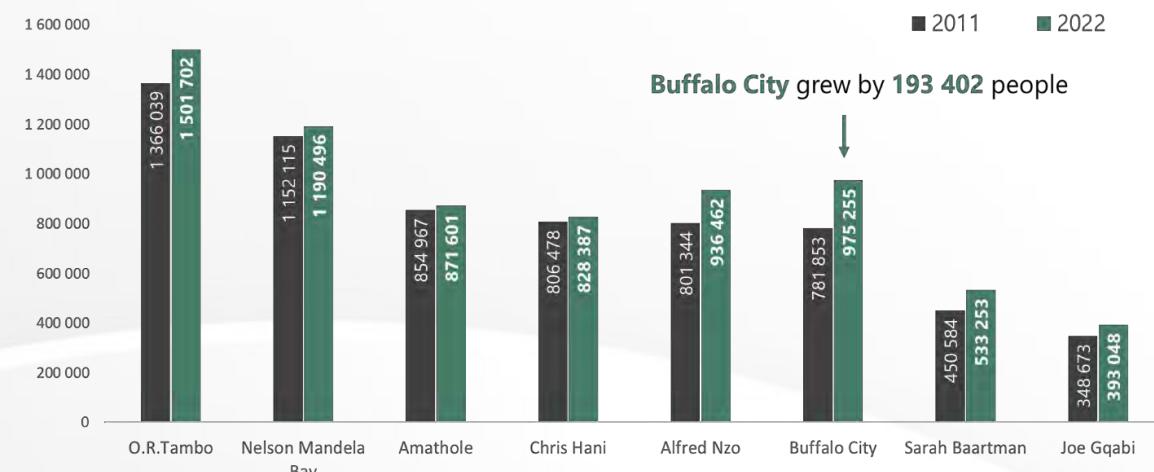


Figure 1: BCMDA value chain

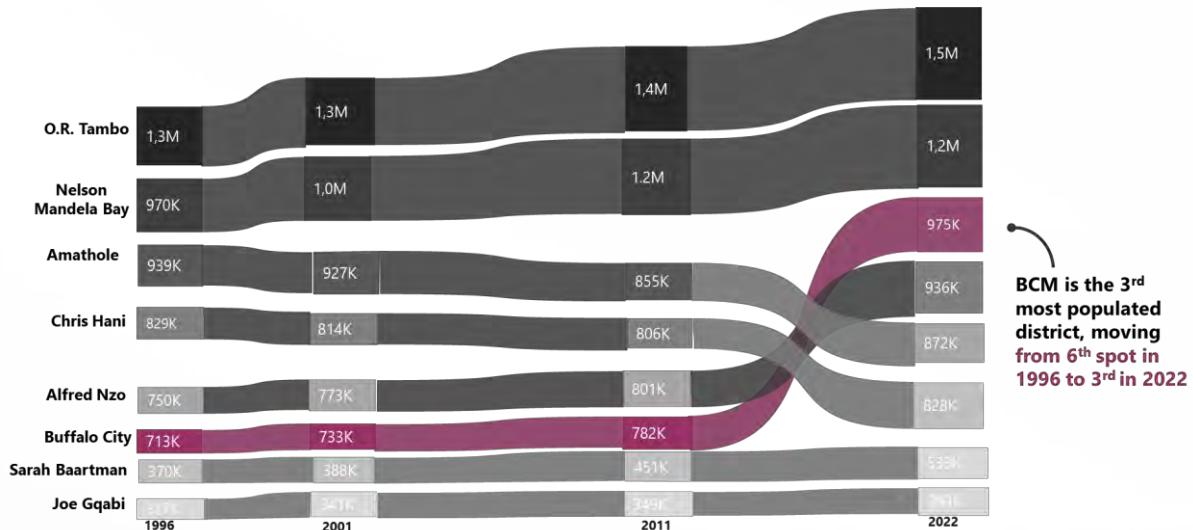
5.4 ECONOMIC INFORMATION OF THE METRO

During the year under review the Agency operated with the following economic conditions in exercising the implementation of its mandate. The Agency has three areas that need to be considered for the reporting period namely investment promotion, tourism and gross domestic product. According to the situational analysis of the City the following is evident:

Population growth in BCMM



Source: StatsSA 2022 Census



5.4.1 Investment Retention and Promotion

- In 2022, the community services sector is the largest within Buffalo City Metropolitan Municipality accounting for R 33.7 billion or 37.3% of the total GVA in the metropolitan municipality's economy. The sector that contributes the second most to the GVA of the Buffalo City Metropolitan Municipality is the finance sector at 19.3%, followed by the trade sector with 17.0%. The sector that contributes the least to the economy of Buffalo City Metropolitan Municipality is the mining sector with a contribution of R 124 million or 0.14% of the total GVA.

Table 9: Gross value added (GVA) by broad economic sector - Buffalo City Metropolitan Municipality, 2022[R billions, current prices]

	<i>Buffalo City</i>	<i>Eastern Cape</i>	<i>National Total</i>	<i>Buffalo City as % of province</i>	<i>Buffalo City as % of national</i>
Agriculture	1.0	11.2	187.6	8.5%	0.51%
Mining	0.1	1.5	483.3	8.4%	0.03%
Manufacturing	14.1	64.8	813.1	21.8%	1.74%
Electricity	1.3	9.1	192.8	14.3%	0.67%
Construction	2.3	11.7	146.6	19.6%	1.56%
Trade	15.3	75.3	807.5	20.4%	1.90%
Transport	5.0	23.9	451.4	21.0%	1.11%
Finance	17.4	80.9	1,386.9	21.5%	1.26%
Community services	33.7	174.1	1,483.6	19.4%	2.27%
Total Industries	90.3	452.5	5,952.7	20.0%	1.52%

Source: South Africa Regional explorer v2443. Data compiled on 15 Jan 2024. © 2024 S&P Global.

- In 2022, the community services sector is the largest within Buffalo City Metropolitan Municipality accounting for R 33.7 billion or 37.3% of the total GVA in the metropolitan municipality's economy. The sector that contributes the second most to the GVA of the Buffalo City Metropolitan Municipality is the finance sector at 19.3%, followed by the trade sector with 17.0%. The sector that contributes the least to the economy of Buffalo City Metropolitan Municipality is the mining sector with a contribution of R 124 million or 0.14% of the total GVA.

Table 10: Merchandise exports and imports - Buffalo City, Eastern Cape and National Total, 2022 [R 1000, current prices]

	<i>Buffalo City</i>	<i>Eastern Cape</i>	<i>National Total</i>
Exports (R 1000)	2,713,957	73,461,195	2,013,485,000
Imports (R 1000)	6,846,598	74,201,008	1,791,905,000
Total Trade (R 1000)	9,560,555	147,662,203	3,805,390,000
Trade Balance (R 1000)	-4,132,640	-739,813	221,580,000
Exports as % of GDP	2.7%	14.7%	30.4%
Total trade as % of GDP	9.5%	29.5%	57.4%
Regional share - Exports	0.1%	3.6%	100.0%
Regional share - Imports	0.4%	4.1%	100.0%
Regional share - Total Trade	0.3%	3.9%	100.0%

Source: South Africa Regional eXplorer v2443. Data compiled on 15 Jan 2024. (© 2024 S&P Global)

c. The merchandise export from Buffalo City Metropolitan Municipality amounts to R 2.71 billion and as a percentage of total national exports constitutes about 0.13%. The exports from Buffalo City Metropolitan Municipality constitute 2.71% of total Buffalo City Metropolitan Municipality's GDP. Merchandise imports of R 6.85 billion constitute about 0.38% of the national imports. Total trade within Buffalo City is about 0.25% of total national trade. Buffalo City Metropolitan Municipality had a negative trade balance in 2022 to the value of R 4.13 billion.

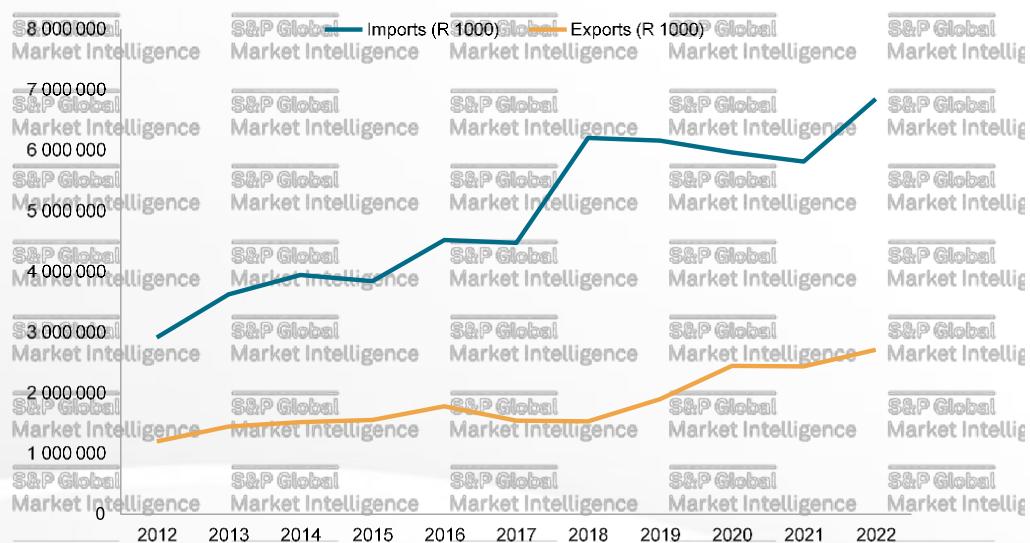


Figure 2: Import and exports in Buffalo City Metropolitan Municipality, 2012-2022 [R 1000]

Source: South Africa Regional eXplorer v2443. Data compiled on 15 Jan 2024. (© 2024 S&P Global.)

d. Analysing the trade movements over time, total trade increased from 2012 to 2022 at an average annual growth rate of 8.79%. Merchandise exports increased at an average annual rate of 8.48%, with the highest level of exports.

e. R 2.71 billion experienced in 2022. Merchandise imports increased at an average annual growth rate of 8.91% between 2012 and 2022, with the lowest level of imports experienced in 2012.



5.4.2 Gross Domestic Product

a. With a GDP of R 100 billion in 2022 (up from R 58.6 billion in 2012), the Buffalo City Metropolitan Municipality contributed 20.01% to the Eastern Cape Province GDP of R 501 billion in 2022 increasing in the share of the Eastern Cape from 20.42% in 2012. The Buffalo City Metropolitan Municipality contributes 1.51% to the GDP of South Africa which had a total GDP of R 6.63 trillion in 2022 (as measured in nominal or current prices). Its contribution to the national economy stayed similar in importance from 2012 when it contributed 1.64% to South Africa, but it is lower than the peak of 1.64% in 2012.

growth than the Eastern Cape Province's 2.08%, and is lower than that of South Africa, where the 2022 GDP growth rate was 1.91%. Contrary to the short-term growth rate of 2022, the longer-term average growth rate for Buffalo City (0.44%) is slightly lower than that of South Africa (0.92%). The economic growth in Buffalo City peaked in 2021 at 4.26%.

c. It is expected that Buffalo City Metropolitan Municipality will grow at an average annual rate of 1.32% from 2022 to 2027. The average annual growth rate of Eastern Cape Province and South Africa is expected to grow at 1.47% and 1.76% respectively.

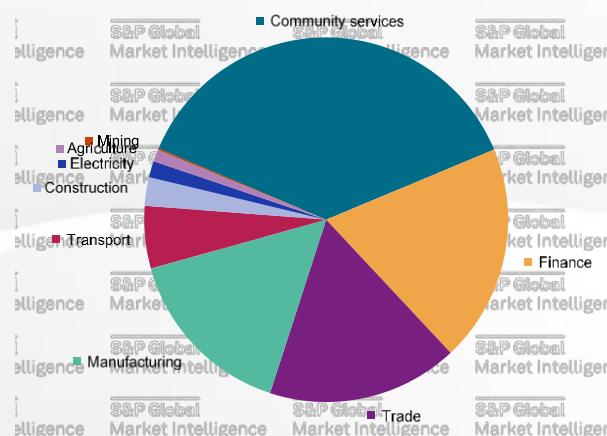


Figure 3: Gross value added (GVA) by broad economic sector - Buffalo City Metropolitan Municipality, 2022 [percentage composition]

Source: South Africa Regional eXplorer v2443. Data compiled on 15 Jan 2024. © 2024 S&P Global.

b. In 2022, the Buffalo City Metropolitan Municipality achieved an annual growth rate of 1.90% which is a very similar GDP

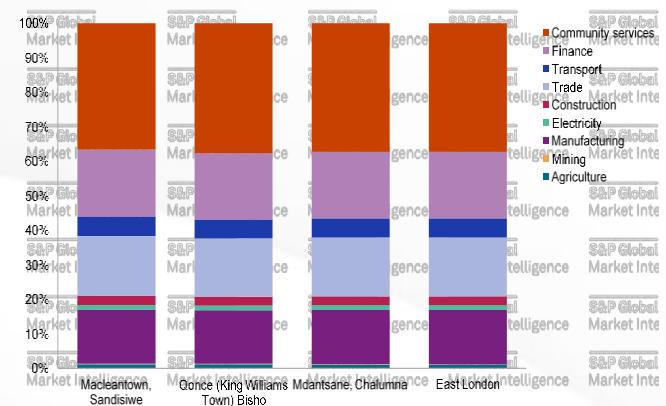


Figure 4: Gross Value Added (GVA) by broad economic sector - sub-metro regions of Buffalo City Metropolitan Municipality, 2022 [percentage composition]³

d. For the period 2022 and 2012, the GVA in the agriculture sector had the highest average annual growth rate in Buffalo City at 2.39%. The industry with the second

³ Source: IHS Markit Regional eXplorer version 2201

highest average annual growth rate is the finance sector averaging at 1.52% per year. The construction sector had an average annual growth rate of -3.02%, while the mining sector had the lowest average annual growth of -4.36%. Overall a positive growth existed for all the industries in 2022 with an annual growth rate of 1.82% since

5.4.2.1 Primary Sector

The primary sector consists of two broad economic sectors namely the mining and the agricultural sector.

Between 2012 and 2022, the agriculture sector experienced the highest positive growth in 2017 with an average growth rate of 16.5%. The mining sector reached its highest point of growth of 27.1% in 2012. The agricultural sector experienced the lowest growth for the period during 2016 at -10.1%, while the mining sector reaching its lowest point of growth in 2015 at -11.9%. Both the agriculture and mining sectors are generally characterised by volatility in growth over the period.

5.4.2.2 Secondary Sector

The secondary sector consists of three broad economic sectors namely the manufacturing, electricity and the construction sector.

Between 2012 and 2022, the manufacturing sector experienced the highest positive growth in 2021 with a growth rate of 9.5%. The construction sector reached its highest growth in 2013 at 3.8%. The manufacturing sector experienced its lowest growth in 2020 of -13.6%, while construction sector also had the lowest growth rate in 2020 and it experiences a negative growth rate of -16.7% which is higher growth rate than that of the manufacturing sector. The electricity sector experienced the highest growth in 2021 at 0.4%, while it recorded the lowest growth of -6.5% in 2020.

5.4.2.3 Tertiary Sector

The tertiary sector consists of four broad economic sectors namely the trade, transport, finance and the community services sector.

The trade sector experienced the highest positive growth in 2021 with a growth rate of 6.6%. The transport sector reached its highest point of growth in 2022 at 8.9%. The finance sector experienced the highest growth rate in 2022 when it grew by 3.0% and recorded the lowest growth rate in 2015 at 0.5%. The Trade sector had the lowest growth rate in 2020 at -11.5%. The community services sector, which largely consists of government, experienced its highest positive growth in 2021 with 2.6% and the lowest growth rate in 2020 with -1.4%.

5.4.2.4 Sector Growth Forecast

The GVA forecasts are based on forecasted growth rates derived from two sources: historical growth rate estimates and national level industry forecasts. The projections are therefore partly based on the notion that regions that have performed well in the recent past are likely to continue performing well (and vice versa) and partly on the notion that those regions that have prominent sectors that are forecast to grow rapidly in the national economy (e.g. finance and telecommunications) are likely to perform well (and vice versa). As the target year moves further from the base year (2010) so the emphasis moves from historical growth rates to national-level industry growth rates.

The construction sector is expected to grow fastest at an average of 3.14% annually from R 1.7 billion in Buffalo City Metropolitan Municipality to R 1.99 billion in 2027. The community services sector is estimated to be the largest sector within the Buffalo City Metropolitan Municipality in 2027, with a total share of 37.5% of the total GVA (as measured in current prices), growing at an average annual rate of 0.8%. The sector that is estimated to grow the slowest is the mining sector with an average annual growth rate of -0.88%.

5.4.3 Tourism

Table 11: Total number of trips by origin tourists - Buffalo City Metropolitan Municipality, 2012-2022 [Number]

	<i>Domestic tourists</i>	<i>International tourists</i>	<i>Total tourists</i>
2012	911,000	54,900	966,000
2013	818,000	56,900	875,000
2014	778,000	58,900	837,000
2015	749,000	56,000	805,000
2016	763,000	64,800	828,000
2017	824,000	66,600	890,000
2018	899,000	68,200	967,000
2019	905,000	66,400	972,000
2020	860,000	21,300	882,000
2021	831,000	15,700	847,000
2022	952,000	35,600	988,000
Average Annual growth			
2012-2022	0.44%	-4.24%	0.23%

Source: South Africa Regional eXplorer v2443. Data compiled on 15 Jan 2024. (© 2024 S&P Global)



- The number of trips by tourists visiting Buffalo City Metropolitan Municipality from other regions in South Africa has increased at an average annual rate of 0.44% from 2012 (911 000) to 2022 (952 000). The tourists visiting from other countries increased at an average annual growth rate of - 4.24% (from 54 900 in 2012 to 35 600). International tourists constitute 3.61% of the total number of trips, with domestic tourism representing the balance of 96.39%.
- From 2012 to 2022, the number of bed nights spent by domestic tourists has decreased at an average annual rate of - 8.18%, while in the same period the international tourists had an average annual increase of 16.82%. The total number of bed nights spent by tourists increased at an average annual growth rate of 0.58% from 3.93 million in 2012 to 4.16 million in 2022.

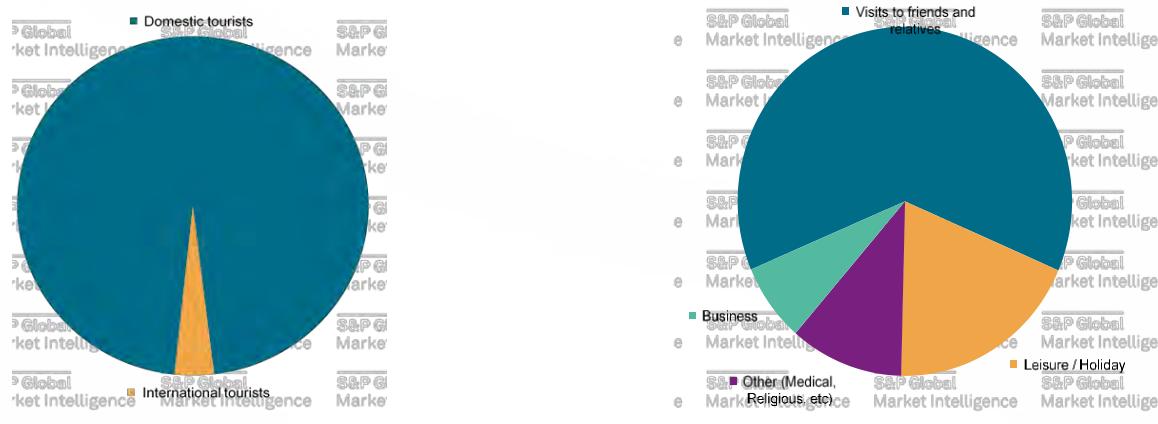


Figure 5: Tourists by origin - Buffalo City Metropolitan Municipality, 2022 [Percentage]

Source: South Africa Regional eXplorer v2443. Data compiled on 15 Jan 2024 (© 2024 S&P Global)

- c. Buffalo City Metropolitan Municipality had a total tourism spending of R 4.78 billion in 2022 with an average annual growth rate of 4.4% since 2012 (R 3.12 billion). Eastern Cape Province had a total tourism spending of R 29.9 billion in 2022 and an average annual growth rate of 6.2% over the period. Total tourism spending in South Africa increased from R 230 billion in 2012 to R 333 billion in 2022 at an average annual rate of 3.8%.
- d. In 2022, Buffalo City Metropolitan Municipality had a tourism spend per capita of R 5,250 and an average annual growth rate of 3.13%, Buffalo City Metropolitan Municipality ranked third amongst all the regions within Eastern Cape in terms of tourism spend per capita. The region within Eastern Cape Province that ranked first in terms of tourism spend per capita is Sarah Baartman District Municipality with a total per capita spending of R 13,600 which reflects an average annual increase of 8.01% from 2012. The metropolitan municipality that ranked lowest in terms of tourism spend per capita is Alfred Nzo with a total of R 1,730 which reflects an increase at an average annual rate of 6.08% from 2012.
- e. In Buffalo City Metropolitan Municipality, the tourism spending as a percentage of GDP in 2022 was 4.77%. Tourism spending as a percentage of GDP for 2022 was 5.97% in Eastern Cape Province, 5.02% in South Africa. From 2010 to 2020, the number of bed nights spent by domestic tourists has decreased at an average annual rate of -15.77%, while in the same period the international tourists had an average annual decrease of -6.77%. The total number of bed nights spent by tourists decreased at an average annual growth rate of -14.31% from 5.7 million in 2010 to 1.22 million in 2020.
- f. In 2022, Buffalo City Metropolitan Municipality had a tourism spend per capita of R 5,250 and an average annual growth rate of 3.13%, Buffalo City Metropolitan Municipality ranked third amongst all the regions within Eastern Cape in terms of tourism spend per capita. The region within Eastern Cape Province that ranked first in terms of tourism spend per capita is Sarah Baartman District Municipality with a total per capita spending of R 13,600 which reflects an average annual increase of 8.01% from 2012. The metropolitan municipality that ranked lowest in terms of tourism spend per capita is Alfred Nzo with a total of R 1,730 which reflects an increase at an average annual rate of 6.08% from 2012.

5.4.4 About the BCMDA

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 summarized 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 socio-economic development within the City.

5.4.5 Alignment with the City

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:

- f. **An inclusive and sustainable economic growth** – with rapid and inclusive growth, and falling unemployment,
- g. **A clean and environmentally sustainable city** – environmentally sustainable with optimal benefits from our natural assets. A clean and healthy city of subtropical gardens,
- h. **A globally connected city** – high quality (and competitively priced) connections to ICT, electricity, and transport networks (inside the city and to the outside world),
- i. **A spatially transformed city** – the spatial divisions and fragmentation of the apartheid past are progressively overcome, and township economies have become more productive, and
- j. **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.

5.4.6 BCMDA Strategic Goals/ Outcomes

The Agency has 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 Agency over the term are:

Outcome 1: <i>A dynamic tourist destination</i>	<ul style="list-style-type: none">Focuses on increasing the number of tourists coming into the City through creating an enabling environment for tourism product development and/ or enhancement.
Outcome 2: <i>Attractive city for global investment.</i>	<ul style="list-style-type: none">Deals with increasing the size and ROI of the Agency's investment portfolio in Tourism, Property, and Industrial Sectors so that it can make the Metro increasingly economically active and competitive.
Outcome 3: <i>Vibrant and attractive local spaces.</i>	<ul style="list-style-type: none">Focuses on acquiring property for development, management, revitalisation of urban and rural spaces in the Metro, implementation of integrated initiatives for beachfront development so that the Metro can cope with pace of urbanisation
Outcome 4: <i>Inclusive and resilient economy</i>	<ul style="list-style-type: none">Focuses on implementing the Agency's socio-economic development programme that improves access to meaningful work opportunities for identified beneficiary groups within the City. This includes the implementation of economic diversification and expansion projects
Outcome 5: <i>An efficient, well-governed and viable agency</i>	<ul style="list-style-type: none">Focuses on the performance of the agency against four key areas: financial health; performance excellence; as well as governance & compliance excellence.

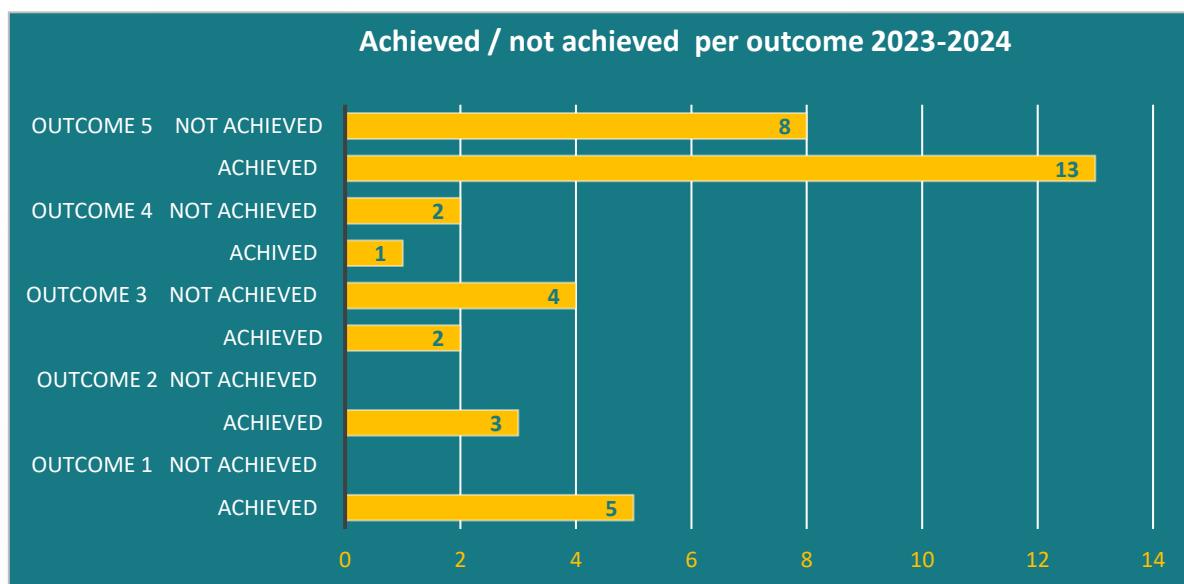
5.4.7 Institutional Programme Performance 2023/2024

The institutional performance in the five strategic outcomes will be measured through a set of outputs set for the upcoming financial year and the MTEF. For measurement purposes, the Agency has defined key performance indicators (KPIs) for each output (henceforth referred to as key performance area) which was approved in May 2023 and subsequently revised during the mid-year review. The mid-term review brought into sharp focus the availability of resources and the various challenges with respect to project management and implementation of infrastructure projects. The performance here is based on the revised annual performance plan submitted along with the revised budget. Investment Promotion, Tourism Development and Socio-Economic Development Units.

This area of work involves the work undertaken in Outcome 1 namely a dynamic tourist destination, Outcome 2 which is an attractive City for global investments and Outcome 4 an Inclusive and resilient economy.

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 BCMDA 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. Statistically, the following summary of achievements were made per goal which is expanded in the tables hereunder.



5.4.7.1 Investment Promotion, Tourism Development and Socio-Economic Development Units

This area of work involves the work undertaken in Outcome 1, namely a dynamic tourist destination, Outcome 2 which is an attractive City for global investments and Outcome 4 an Inclusive and resilient economy.

During the review at mid-year, six targets remained the same, one target was removed, wording was reviewed, and adjustments were made due to resource constraints.

Table 12: Annual targets for Investment Promotion and Socio-Economic Development Units

Output Indicator	2023/24 Annual Targets	Adjusted 2023/24 Budget	Achievements / Progress	Comments	Corrective Measure
Number of tourism routes supported with storyline development	2 Tourism routes supported with storyline development	R 700 000 1 of 2	Achieved	Story lines were developed for Qonce, Zwellitsha, Bhisho and Dimbaza	N/A
Number of tourism routes supported with interpretive board development	2 Tourism routes supported with interpretive boards	R 700 000 1 of 2	Achieved	Interpretive Boards were developed for Mdantsane, Dimbaza and Esplanade and are available online.	N/A
Number of public art features installed	3 public art features installed	NIL	Achieved	These public art features were in: - Steve Biko Bridge, - Southernwood Park, - Oxford Street.	N/A
Number of events attracted to BCMDA facilities	5 Events attracted to BCMDA facilities	NIL	Achieved	The events were: - Glen Levet Jazz Town - Road to Standard Bank Joy of Jazz - Monster Flight Night - Moya Tutorial – - Jazz by the Stoep. - Easter Monday Picknick	These events were attracted to the facilities however the facility was not opened.

Output Indicator	2023/24 Annual Targets	Adjusted 2023/24 Budget	Achievements / Progress	Comments	Corrective Measure
				- Buffalo City Beach Fest. Herbal Life- - Outdoor Gym Events	
Implementation of TIM	Draft Reviewed and Updated TIM	R260 095	Achieved	The TIM was reviewed and updated	N/A
Number of land parcels identified for investment opportunities.	2 land parcels identified	NIL	Achieved	4 parcels were identified. - Settlers Way- Chester Road - Commercial Road-Avenue Street - Buhlanti- Buccaneers Precinct - Qonce / Bisho Precinct	N/A
Number of investments secured into BCMM	1 investor secured	NIL	Achieved	The investor secured was namely Vunani Capital for Sleeper Site development	N/A
Value of investment facilitated	R350 million investment facilitated ⁴	NIL	Achieved	The Sleeper Site investor was secured as reported.	N/A
Number of economic diversification projects initiated	1 economic diversification projects initiated (MacLean Town) ⁵	NIL	Not achieved	The appointed service provider did not deliver the support needed on time.	Project was terminated by supply chain however the planting season closed.
Number of CSI projects initiated	4 CSI projects initiated	R28 500	Not achieved	The CSI projects were not initiated due to lack of resources that were diverted.	Confirmation of resources prior to planning.
Number of jobs created through Public Employment programme	210 jobs created and sustained	R14 304 139	Achieved	As part of the public employment programme	N/A

5.4.7.2 Property Development and Management

This area of work includes the work of Outcome 3 which is Vibrant and attractive local spaces.

During the mid-year review, three key performance indicators were reviewed downwards due to operational conditions at the time. Planning was undertaken based on an estimate of the processes required toward year end however external risks beyond the control of the Agency, litigation and management of current projects delayed the implementation of the targets since resources had to be diverted to other areas of work.

⁴ Subject to the finalisation of Sea View Terrace

⁵ Subject to the budget availability for transactional advisors

Table 13: Annual targets for Property Management and Development Unit

Output Indicator	2023/24 Annual Targets	Adjusted 2023/24 Budget	Achievements / Progress	Comments/ Challenges	Corrective Measure
Number of socio-economic projects implemented and under management	2 socio-economic projects implemented and under management.	R 200 000	Achieved	The Duncan village waste management programme and the Public employment programme was managed by the Unit	N/A
Number of Policies developed for revitalization of rural and urban spaces	1 Urban Node/ Rural node	R 300 000	Not achieved	The policy was developed but not taken through the governance committees	Process the policy through the various governance committees
Number of properties under design	1 Property (Esplanade)	R 5 000 000	Not achieved	The scope for the project changed due to the district development model	The public and stakeholder consultation process to restart.
Number of beach sites renovated.	1 beach site (Winter strand Beach)	R 1 000 000	Not achieved	The budget for construction was not available	Project was withdrawn
Number of property development projects completed and handed over.	1 project completed (Water World Fun Park)	NIL	Not achieved	Legal processes with the contractor took longer than anticipated	Alternative mechanisms are being pursued to complete the project.
Number of private property investments that get all the necessary approvals from both local and provincial government.	5 projects at Sleeper Site, Marina Glen A, Seaview Terrace, Water World Hotel Site and Victoria Grounds	NIL	Achieved	All the documents necessary for development of the sites have been sourced from the City.	N/A

5.4.7.3 Group Support Services

Group services and administration offers key strategic and operational support services to the core business units. The main purpose of group services is to provide a seamless, efficient and effective administrative support function that are regulatory, leadership, corporate and statutory. These functions support three business units:

- Office of the CEO, inclusive of Strategy, Research, Risk, Fraud and Compliance Management and Internal Audit.
- Chief Financial officer, inclusive of Supply Chain and Financial Management.
- Corporate Services, inclusive of Human Capital, Information Communication and Technology (ICT) and document management.
- Legal and Company Secretary.

Table 14: Annual targets for Group Services

Output Indicator	2023/24 Annual Targets	Adjusted 2023/24 Budget	Achievements / Progress	Comments/ Challenges	Corrective Measure
Health of financial ratios	Liquidity = 2:1	R 99 697 746	Not achieved	1,62:1	Due to budget restrictions during mid-year review.
Implementation of a Financial Sustainability Strategy	Implementation and Monitoring of Financial Sustainability Strategy	R 1 526 192 (Interest) R 1 071 893 (PM Fees)	Achieved	<ul style="list-style-type: none"> - Operational Grant of R44 million. - Interest of R 1686 008; - Project management fees of R 782 790 	N/A
Compliance on financial planning, administration and reporting requirement	100% compliance	NIL	Achieved	<ul style="list-style-type: none"> - Financial and performance reports have been submitted. - All creditors were paid within 30 days except where there is a court order. - Monthly budget statements were submitted by the 7th working day - Reconciliation of revenue, expenditure, assets, and liabilities was performed. - EMP 201 returns were submitted within 7 days. - VAT 201 returns were submitted by the last working day of the month. - Updating and maintenance of fixed asset register – FAR was done. - Monitor mSCOA compliance – Transacted on mSCOA and integrated with the City. - % Compliance with Supply Chain Management Policy <ul style="list-style-type: none"> - 100% compliance - Annual procurement plan was monitored on an ongoing basis. - Monthly evaluation of supplier performance and maintenance 	N/A

Output Indicator	2023/24 Annual Targets	Adjusted 2023/24 Budget	Achievements / Progress	Comments/ Challenges	Corrective Measure
				contracts register was performed	
Improved Audit Outcome	Unqualified Audit Opinion without findings	R 997 360	Not achieved	n/a	To be determined by post audit
Expenditure incurred	97% Spending of grant from the City	R 53 182 078	Achieved	97% Spending of grant from the City	N/A
Improved percentage implementation of recommendations from External and Internal Audit Reports	90% Implementation of recommendations from External and Internal Audit reports	R 400 000	Achieved	All findings for the division have been resolved.	N/A
Percentage LEVEL ONE BBBEE expenditure on procurement of goods and services	75% LEVEL ONE BBBEE expenditure on procurement of goods and services	NIL	Achieved	90.97%	N/A
Percentage Organisation Design Development Programme implemented	of & 100% implementation of planned OD & D projects	R250 000	Achieved	The Agency initiated Organisational review process internally in Q4. Draft Structure was developed and workshopped. Further engagements are planned for Q1.	N/A
Submission of legislated reports to the Department of Labour	Submission of COIDA and WSP	R200 000	Achieved	WSP and COIDA were submitted on time.	N/A
Number of HRM & D strategies developed	Develop an HR strategy for Agency	NIL	Not Achieved	Organisational Review process initiated in Q4. HRM Strategy will be developed after the completion of Organisational review process.	The priority was given to the development of People and Culture Strategy which is till WIP. HRM Strategy will be developed after finalization of ODD Project
Submission of all staff performance related documents	- 100% of PC/ work plan and PDP - 100% submission of disclosures	R 314 686	Achieved	N/A	N/A

Output Indicator	2023/24 Annual Targets	Adjusted 2023/24 Budget	Achievements / Progress	Comments/ Challenges	Corrective Measure
	- 100% submission of performance reviews				
Annual training budget spent	95% spend	R250 000	Achieved	100% spent on approved training budget	N/A
Percentage availability of ICT system achieved	95% uptime	NIL	Achieved	99% uptime	N/A
Percentage completion of fail over tests	100% completion (i.e., 4 tests successfully conducted per annum)	NIL	Achieved	100% (i.e. 4th fail over test successfully conducted)	N/A
Percentage adherence to prescribed help desk response time	<3 hours	NIL	Achieved	<3 hours help desk response time	N/A
Annual General Meeting held within the prescribed timeframe	1 meeting organized annually	NIL	Not achieved	The AGM was scheduled however awaiting confirmation from the Shareholder	Constant engagements with the Shareholder to finalize the AGM
Board Charter reviewed and updated	Review charters	Board	Not achieved	Review of the Charter was planned but delayed by changes in the Board structure.	This is planned for during Q1/Q2 of the new financial year.
Board secretariat and legal support services provided in adherence to agreed service levels	AFS Lodged with CIPC by Q4 annually	R307 120 (Board Secretariat) R1 150 000 (Legal Services)	Not achieved	The delay due to the resignation of the Company Secretary.	The service provider has been tasked to finalize the lodgment.
Service Delivery Agreement with BCMM reviewed and updated	Approval revised SDA by Council	NIL	Not achieved	The SDA has been reviewed and tabled to the Board on 21 June 24.	The reviewed founding documents are being reviewed by the Shareholder.
Number of engagements converted to Strategic Partnerships	2 engagements converted to Strategic Partnerships	NIL	Not achieved	The revised policies and processes have been developed to achieve this KPI.	The action will be taken during the new financial year.
Number of communication strategies developed and approved	1 communication and stakeholder strategy revised and approved	R 1 160 000	Achieved	The policy has been reviewed and presented to the board which was approved effective 1 July 2024.	N/A

5.5 HIGHLIGHT OF SERVICES PROVIDED PER PROGRAMME

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

5.5.1 OUTCOME 1: DYNAMIC TOURIST ATTRACTION

5.5.1.1 Tourism Development Policy Development

During the year under review, the Unit spent time focusing on the development of internal governance systems, to this end the Tourism Policy as well as Public Art Policy.

The aim of the policy is to give guidance to how the BCMDA goes about in growing the number of international tourist arrivals, increase in their direct spend, length of stay and geographic spread. Growing the number of domestic tourist trips (including day trips), length of stay, direct spend and geographic spread.

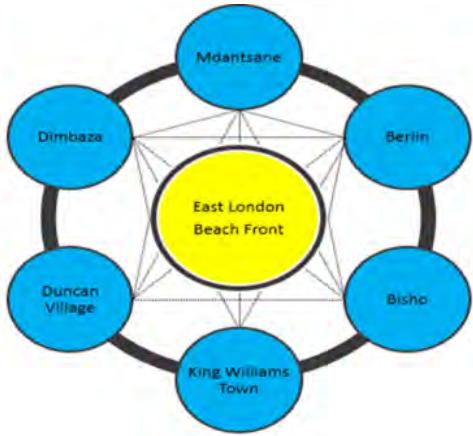


The purpose of the policy document is to reinforce the BCMDA placemaking agenda. The public art policy document thus aims to guide the procedures for the commissioning and de-commissioning of public artworks in designated areas of Buffalo City. Establishing the permitting process of public art. The ongoing management and maintenance of the public art portfolio. The identification and allocation of roles to different role players in the public art development process.

5.5.1.2 Tourism: Route Development

Route development is focused on consolidation and diversification of tourism products, creating opportunities for marginalized spaces, and coordinating a well-functioning tourism system through a hub and spoke model.

Figure 6: Route development matrix



This model proposes that a tourism hub be established on the beachfront which will serve as a gateway to the Metro and have its own distinct route. From the hub are various other nodes that are developed into complimentary routes and produced in line with the Spatial Development Framework of the Metro. These include Duncan Village, Mdantsane, Ntabozuko, Qonce-Zwelitsha-Bhisho as well as Dimbaza. To date routes have been developed in the Esplanade, Duncan Village and Mdantsane.

5.5.1.3 Tourism: Esplanade Route

In line with the tourism route development programme, the Agency started the process of installation of interpretive boards. The process commenced with the installation of 12 boards at the Esplanade.



Figure 7: Esplanade interpretive boards

5.5.1.4 Duncan Village Route

Interpretive boards were also developed as well as a route concept and business cases. Furthermore, the Agency embarked on a 2nd round of consultation with stakeholders on the content of Duncan Village.

5.5.1.5 Mdantsane Route

A total of 20 interpretive boards were developed for Mdantsane as part of route development. These include boards about the entrepreneurial, sporting, political and entertainment life of the area. The boards were presented to stakeholders in a second stakeholder consultation session held in June 2014.

5.5.1.6 Qonce – Bisho-Zwelitsha Route

The BCMDA held a consultation session with the public to share the content as well as harvest content for additional ideas on Qonce, Bisho and Zwelitsha routes. The intended outcome of the process is the development a route concept, business cases, interpretive boards and public art features in Qonce, Bisho and Zwelitsha.



Figure 8 : Consultation and Exhibition on Route Development in Qonce

5.5.1.7 Project Packaging

The BCMM acts as a tourism agency to promote tourism within BCMM. A high priority has been placed on tourism development by BCMDA with the aim of diversifying tourism offering of the metro as well as creating opportunities for previously marginalised spaces within the metro. In this regard work on route development focuses on content development, route mapping, public art, business opportunity identification (Business Cases) and infrastructure development.

A catalogue of opportunities to unlock investment value proposition for each route the BCMDA was developed and incorporated a number of exciting projects and investment opportunities.

5.5.1.8 Public Art Development

The development of various public art paintings(murals) commenced on Steve Biko Bridge, Settlers Way Road, the Esplanade and Baby Lee Jagels Park. The art is informed by a Xhosa culture inspired art pattern which was presented and approved by various stakeholders including the Border Kei Chamber of Business (BKCB) beautification committee and Buffalo City Tourism.



Figure 9 : Retainer wall at Esplanade



Turnbull Street

During the year under review this work continued at Esplanade (retainer wall) and further extended to Turnbull Street, Settler's Way and St. Georges Street public art. This programme has been implemented by the BCMDA through a partnership with Walter Sisulu University, BKCB and the Municipality. A total of 20 unemployed fine arts graduate artists from Walter Sisulu University were engaged in the programme as part of their experiential learning programme.



Figure 10: Design for artwork around the Cit

5.6.2 OUTCOME 2: ATTRACTIVE HOME FOR GLOBAL INVESTMENTS AND SUSTAINABLE ECONOMIC DEVELOPMENT

The BCMDA Promotion Investment programme is targeted at positioned the Buffalo City Metro a compelling place to leave, work, play and invest. This work is guided by the BCMDA's mandate outlined in the service level agreement which it has with the BCMM that places the agency as the metro's investment promotion arm. This work is largely underpinned by the property investment programme that seeks to foster development of the metro through the capitalisation of strategic land parcels that the municipality has given to the agency to develop. The report will cover the following elements of the work on the investment programme Policy and strategy, Land parcel programme, Investment Platforms attended,

Assessment of the current context and need for better research.

5.6.2.1 Policy development:

Significant progress was made on the development of the policy and strategy framework for investment work. The proposed policy is intended to create a regulatory framework of how the BCMDA goes about doing its investment work and is informed by the following values Performance, Professionalism, Integrity, Quality, Accountability and Transparency

The policy further highlights the need for BCMDA to develop strategies that:

- a. promote and market the Metro as an investment destination.
- b. Facilitate investment into the Metro.
- c. as well as ensuring investment retention through aftercare.

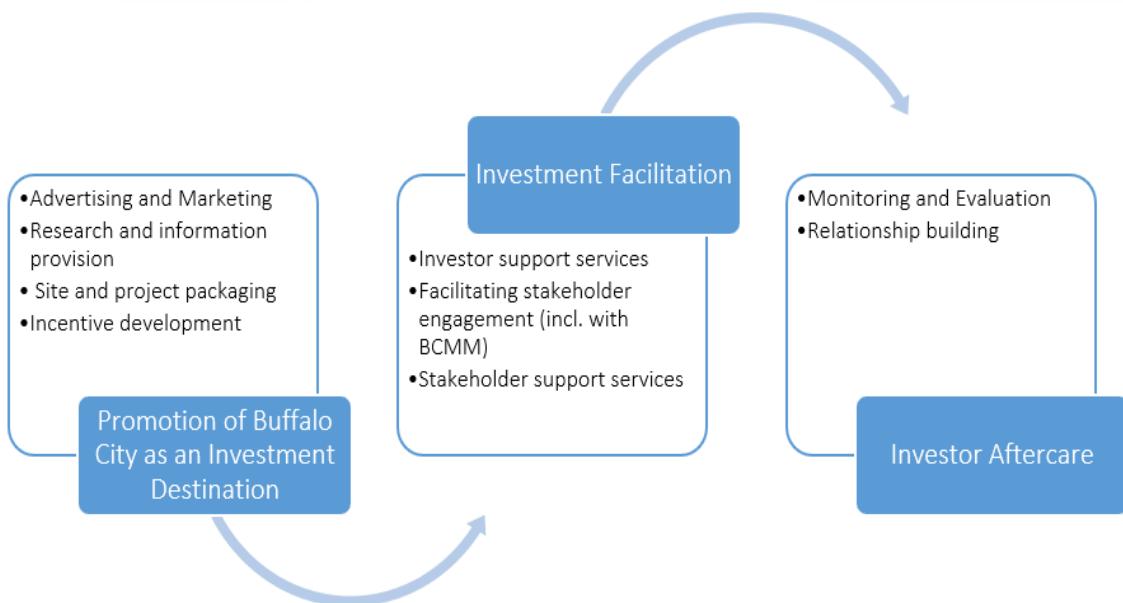


Figure 11: Investment Management flow

5.6.2.2 Property Investment Projects

a. Marina Glen A:

The BCMDA has targeted this site for mixed development. This may include retail, office space as well as accommodation. The 3,1-hectar site is located at the heart of the East London Beachfront and is in walking distance to several amenities including restaurants, entertainment parks and sporting grounds. During the year under review, the Agency was able to secure a potential investor for the property. The proposed development was presented and endorsed by Council during a special workshop facilitated by the BCMDA and the Office of the Speaker. The Agency has commenced with deal negotiations for the property.

By the end of the financial year the agency had attracted an investor to the property with an investment proposal of R 912 million. BCMDA commended with the groundwork for negotiations, this included the revision of its investment term sheet and ensure a better and more robust bargaining position on the following elements: lease term; local equity participation, BCMDA equity participation, lease payments as a % of gross rentals per annum; BCMM/ BCMDA equity participation; annuity payment from operating company and proceeds from sale of building.

b. Seaview Terrace:

The BCMDA has targeted this site for hotel development. The 1,05-hectar site is located at the heart of the East London Beachfront and is in walking distance to a number of amenities including restaurants, entertainment parks and sporting grounds. The site has breathtaking views of the beach.

Near the end of 2019 the agency had attracted managed to attract an investor to the property with an investment R 355 million. Negotiations were held with the developer in the following year and this resulted to the conclusion of a notarial lease and the transfer of the property. Due to number of administrative changes the project was stalled for some time. During this financial year, BCMDA significant progress was made towards completing the development agreement.

Work also took place to have further negotiations with the investor this included the revision of its investment term sheet and ensure a better and more robust bargaining position on the following elements: lease term; local equity participation, BCMDA equity participation, lease payments as a % of gross rentals per annum; BCMM/ BCMDA equity participation; annuity payment from operating company and proceeds from sale of building.

c. Sleeper Site:

The BCMDA has targeted this site for mixed-used development. This may include retail and a municipal precinct. The proposed development specifically seeks to address the lack of office for the metro as well as to provide accommodation for students, amongst other purposes. The 13,6-hectare site is located 5 minutes' drive to the city centre and five minutes to the beachfront, making it perfectly central for work and play. During the year under review, the Agency was able to secure a potential investor for the property.

The proposed investment value for the project is an investment proposal of R4.6 billion. During the year under review the BCMDA commended with the groundwork for negotiations, this included the revision of its investment term sheet and ensure a better and more robust bargaining position on the following elements: lease term; local equity participation, BCMDA equity participation, lease payments as a % of gross rentals per annum; BCMM/ BCMDA equity participation; annuity payment from operating company and proceeds from sale of building.

d. Victoria Grounds Development:

Located on the hustling and bustling streets of the King Williamstown central business district, this 1,6-hectare site is targeted for retail development as well as for sporting and eventing opportunities.

An investor was awarded development right to the property during the previous financial year. The investment value of the awarded investor was R 350 million. Deal negotiations took place between the parties, this resulted in the drafting of a motorial lease as well as a development agreement. The deal also included the incorporation of a portion of Sweetwater property that would be used to house the new proposed sporting grounds. For this purpose, a resettlement agreement was drafted.

Progress on the project has been delayed due to consultation process with sections within the local community on the exact development path the project should

follow. A key point at the center of divergence in the development path is due to the impact and management of the legacy and heritage aspects of the Victoria Grounds. The BCMDA has been active in charting a wayward in this regard and it is anticipated that these challenges will be dealt with effectively dealt with in the beginning on the next financial year.

e. Latimer's Landing Development:

As part of the holistic development of the beachfront, as well as port development process, the BCMDA conducted a feasibility study on the prospects for developing Latimer's Landing. This work was undertaken with the consent of the Port of East London. The potential land uses for this development will be as follows namely Hotel, Retail, Office, Residential and Boutique Residential

The BCMDA has been engaging Transnet Port Authority and Transnet to look at a workable approach that can draw-in investment into this precinct as part of broader waterfront development.

f. Signal Hill Development:

As part of the holistic development of the beachfront, as well as the port development process, the BCMDA conducted a feasibility study on the prospects of developing Latimer's Landing. This work was undertaken with the consent of the East London Ports Authority. The potential land uses for this development will be as follows Business Centres, Spa Retail, Conference Centre, Hotel and Port Offices.

These projects are anticipated to create thousands of jobs during their development and operational stages. They will also create much needed infrastructure that supports tourism. The quality of life in BCMM should equally improve from these interventions. Last but not least, it is the intention that a large percentage of funding for these projects come from the private sector augmenting that provided by the municipality. Discussions between BCMDA, BCMM and Transnet has provided some guidance on how best to approach these port projects without taking away from core qualities.

5.6.2.3 Investment Platforms attended:

As part of its profiling and marketing the Metro, the BCMDA continues to participate in number on platforms that seek to attract investment into the Metro. During the year under review some of the notable engagements that the agency participated in include the Buffalo City -China Partnership conference that was held in East London. The agency also participated in the South Africa- China virtual Conference led by the honorable Executive Mayor and the Hon South African Ambassador to China, His Excellency Cwele. The Provincial Investment Conference continues to be a milestone in the provincial investment calendar where it provided updates on its investment programmes.

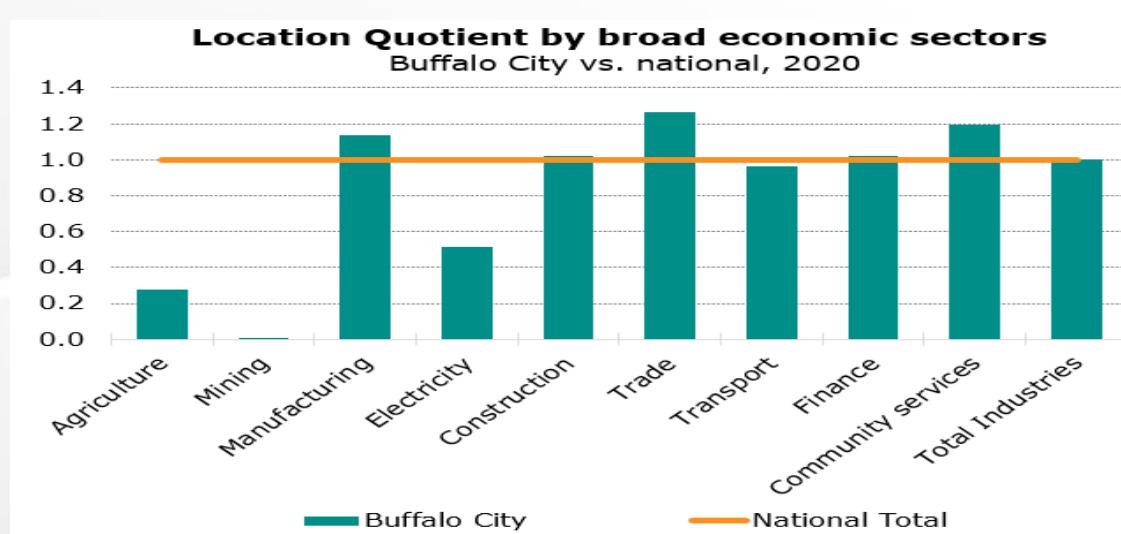
As part of its aftercare investment agenda, the agency continues to engage exiting investors in East London, these engagements have been on a one-on-one basis but also through group sessions consultations. A notable engagement in this regard was with investors in the Quigney and West Bank wards. The platform allowed for the agency to get an indication of some of the critical challenges and opportunities for the private sector. The engagement also allowed for the agency to share progress on its capital projects and future property investments.

The agency has also been instrumental in participating in the in setting up the investment governance structures at provincial level, to this regard it has been a frequent participating the provincial investment committee that has been tasked with setting up the Provincial Investment Committee. Interest on partnerships has been expressed by Mercedes Benz South African to work closer with the agency.

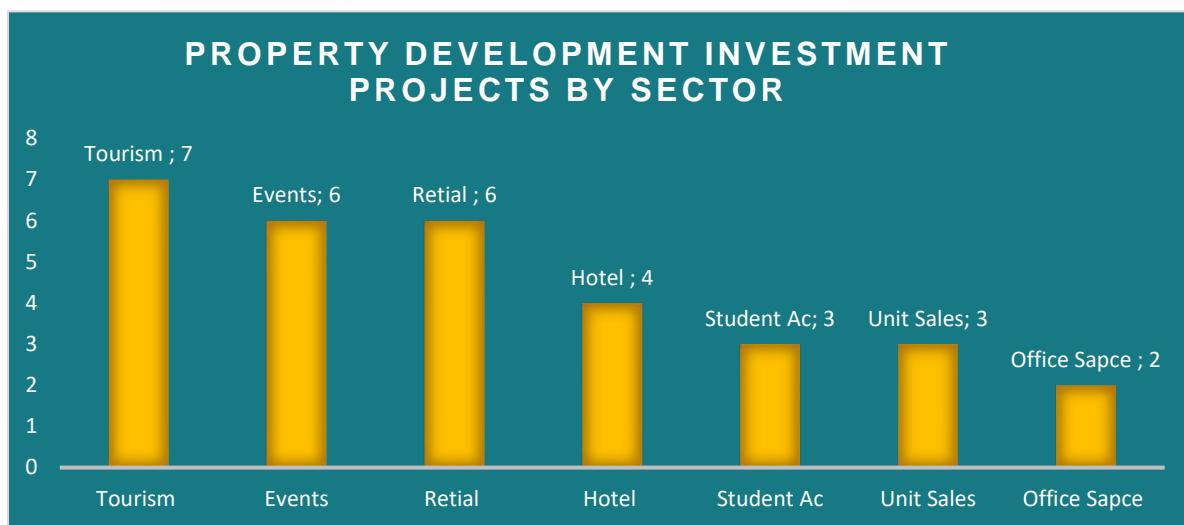
5.6.2.4 Assessment of the current context.

a. Need for better research

As the agency continues to position itself a significant as player in driving the investment agenda of the Metro. We indent on developing deeper research outputs that will improve the investment appeal and climate in the metro. This work is intended to complement the existing research that has been conducted by the Metro which shows that BCMM has a competitive economy. In term of the location quotient which compares the concentration of an industry within a specific area to the concentration of that industry within a specific area (BCMM) to the concentration of that industry nationwide.



This means that BCMM enjoys above national concentration of industry in the manufacturing, trade, and community services. The metro also has a good concentration of industry in construction and finance. This research however shows that the metro does not explain the agriculture and electricity sectors where it has low levels of concentration but does the factors of production and demand to growth these sectors. The BCMDA will be looking at such challenges going forward in its research and project development work.



BCMDA seeks to diversify its property investment portfolio, which has been dominated by tourism related developments associated industries such as events, hotel and accommodation and retail space. Research conducted this year indicates that the agency should consider property investments that are in the following areas:

b. Possible new sector and space

Industrial property (mixed)	Sporting and Events
Energy / renewable energy	Film Industry
Waste Management and beneficiation	Logistics
Agriculture and beneficiation	Auto Sector
Student Accommodation	Chemicals
Housing Development	

The experience of the Victoria Grounds project demonstrates that the Metro needs to find a more sustainable approach to the management of sporting facilities. BCMDA intends to look into this area as develop a framework on how to best manage these facilities and bring much needed capital investment into these assets.

5.6.3 OUTCOME 3: A ROBUST PROPERTY MARKET

Here is a brief progress report on infrastructure projects in Execution:

- Completion of Court Crescent Recreational Park – the Park was officially launched and opened to the public in November 2023. The facility has been capitalized, officially making it an asset of the City. The daily maintenance of the facility was carried out through the Public Employment Programme (PEP) until 30 June 2024. Security services were also rendered until the end of June 2024.
- Completion of Water World Fun Park - Construction works on site were suspended in April 2023, following the

contractor's termination and subsequent arbitration. To date there is no certified value/claim by the contractor, due to disputes.

Due to non-activities on site the site has, and continues to, suffer damage owing to the elements and overgrowth, as well as vandalism.

- The environmental cleaning services at Marina Glen B (Ebuhlanti) and Esplanade (along the Eastern Beach) were successfully rendered until the natural expiry of the contract in December 2023. The rendering of these services assisted in maintaining a clean and environmentally friendly space.
- Duncan Village Waste Management Programme: Waste collection and recycling

continues, with Duncan Village as a pilot. The programme is piloted in five wards within Duncan Village, with 15 participants per ward and administrative staff operating the static buy-back centre. The static buy-back centre attracts volumes of recyclable materials for offtake to the market. Design and construction of a new Buy-Back Centre will commence in the new financial year.

- e. Business Improvement Initiative with Oxford Street as a pilot was awarded to Pholisan Capital. Research was submitted to the Agency, and awaits Board presentation and approval before it goes to the Council.
- f. Esplanade Masterplan – Engagements with urban planners, for best solutions on the development of the Esplanade and Quigney precinct, have been initiated.

5.6.4 OUTCOME 4: DELIVERED SOCIO-ECONOMIC PROGRAMMES

BCMDA is mandated to conceptualise, plan, and execute catalytic socio-economic development projects. The Unit is charged with a mandate to roll out socio economic development programmes. These programmes are targeted at having a positive impact on livelihoods of the citizens of the metro through targeting especially disengaged groups such as the youth and women. These projects are also geared at addressing the spatial development imbalances within the metro as well as incorporating previously disadvantaged spaces and also promoting sector development diversification such as textiles, agriculture, and renewable energy development. While the programme is still at a nascent stage initiative for SMME development has started to take root, it is the short term to medium objective of the programme to provide support to SMMEs in line with the BCMDA SMME Policy and Strategy. In promoting improved livelihoods, the Unit also looks at creative approaches to job creation through partnerships with programmes such as public employment work. The Socio-economic Development Unit amongst others is responsible for the following programmes:

- a. Implement projects with direct impact and improvement to marginalized groups.
- b. Rural Development programs
- c. SMME development strategies
- d. Partnerships and CSI Projects

The following is a status quo of current programmes that are geared toward ensuring that the Agency becomes more responsive to socio economic development needs:

The following Socio-Economic Programmes are under implementation:

5.6.4.1 Rural Development Projects

5.6.4.1.1 Small scale farmer's support

In line with Outcome 3 to deliver socio-economic development programs, revitalising agriculture and agro-processing value chain was identified as one of the key sectors needed to be responded to. The Agency in this regard allocated budget support the economic regeneration projects at Shushu B and Maclean Town. Both these are projects are agricultural, and the funding is allocated for provision of agriculture inputs for small scale farmer's support.

Currently, service provider to delivery relief support in form of agriculture inputs has been appointed and due to nature of the inputs, the service provider was expected to deliver before the end of ploughing season in Quarter 3 but failed to deliver. The service provider's order was cancelled, and the project closed.

5.6.4.2 SMME Development Strategies

The Buffalo City Metropolitan Development Agency (BCMDA) has developed a Small Medium Micro Enterprise (SMME) Development Policy that will guide the Agency regarding interventions to support and develop SMMEs in rural and urban areas within the Buffalo Metropolitan Municipality jurisdiction. To implement the programme, SMME policy, SMME Support and Development Strategy has been developed that seek to guide the BCMDA on how to do business and implement the SMME support and development programme. Notable, the SMME policy and Strategy was adopted in 2022. The processes undertaken in implementing the SMME Support programme is outlined hereunder: SMME support and development policy is to be implemented through the following stages:

5.6.4.3 Integrated Waste Management, Greening And Beautification Programme

BCMDA together with BCMM secured conditional grant funding from the National Treasury to roll out a waste management, greening and beautification programme. The programme encompasses 6 components i.e., Waste management, greening, coastal guards, public art, textiles & prints and public education & awareness. This project forms part of the Good Green Deeds and city-wide waste management projects funded by the national Department of Environmental Affairs. Participants work an 8-hour day for 6 days and are further capacitated with various training opportunities.

Generally, the programme is implemented through the EPWP guidelines therefore, recruitment of participants is inline with the prescribed determination and the recruitment of administrative staff was done within the BCMM through interview. On start of the programme, Participants partook in an extensive induction programme which was conducted in partnership with the Department of Employment and Labour.

The programme offers the following services:
Conventional PEP – street cleaning, removal of waste in illegal dump sites and public open spaces. Waste collection. Waste Transportation. Greening
Innovative PEP - Public Art, Textiles and Prints, Public Awareness and communication, Coastal patrols

5.6.4.4 Project Location

The project is located in key/hot spots in all regions of the BCMM (Coastal, inland and midland) to enhance cleanliness of the city through grass cutting, general waste picking and beatification. Coastal patrol is located at Esplanade Street in Quigney, pilot for public art is located at Steve Biko Bridge in East London whilst textile and print are located at King Williams Town.

Waste pickers, grass cutters and coastal guard's participants are still on month-to-month renewable contracts pending availability of budget. The overall number of participants for P.E.P to date is 256. This number includes 230 Waste pickers, 10 grass cutters, 4 Coastal guards, 9 supervisors and 3 Office staff.

All these components have played a crucial role in the accomplishment of the programme deliverables through success stories of bringing safety to City, beauty and exposure of the City to the holiday makers and in providing needed publicity of the programme through BCMTV media coverage and other social media platforms.

For the better part of the financial year, the project steering committee hasn't been sitting, and this has created a number of problems resulting in project holdups, lack of decision making, and suffering as some of the decisions aren't implemented properly.



Certainly, the project received an approved rollover of R4.9m for unspent funds from the previous financial year and this has helped to improve the financial capacity of the programme as it has been suffering from budget limitations and as such contracts of all participants ended on 30 June 2024.

The City has experienced massive rains and there was a need for gutter clearance and grass cutting especially in public areas.

The following tables show the current participation statistics by end of the Financial Year:



	MID-LAND	IN-LAND	COASTAL	GRASS CUTTERS	SECURITY GUARDS	OFFICE STAFF	TOTAL
No. Participants	26	61	143	10	4	12	256
Females	21	47	117	0	3	6	194
Males	5	14	26	10	1	6	62
Youth	9	23	66	1	1	2	102

5.6.5 OUTCOME 5: A WELL-GOVERNED AND VIABLE AGENCY

A key strategic objective of outcome 5 is to ensure that there is a solid base from which to operate as an Agency of the Municipality. The aim of goal one is to ensure that there is a well-governed, meaning stable and fully capacitated agency to deliver on its mandate effectively as well as a viable agency intimating that sustainability in the medium to long term is critical.

This outcome forms support to the Agency's core business and other strategic objectives. This objective includes the following key strategic areas of work, namely financial sustainability, governance maturity, stakeholder management and a high-performing and motivated staff and the creation of a sound research platform.

The above outcome has a total of 23 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 outcome 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 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 financial year the agency was able to achieve 16 (70%) of its performance targets with only 7 (30%) 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 however scope does exist to reach clean audits and to perfect the planning aspects of the work of the Agency. This work is supported by the Agency's commitment at responding and addressing recommendations from the office of the independent internal auditor, Audit and risk committee and Auditor General through the various assurance provision platforms and audit process. The work creates a framework for

reliance, business stability and growth and to ensure that money can be placed in the Agency to mitigate against the agency's dependency on the City as primary source of revenue. The running of clean agency governance, investment promotion building and managing a property portfolio are key components to ensure we move towards financial sustainability over the medium term.

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 various systems and processes to improve the governance environment of the Agency. 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 planned organisational design and development project was delayed due to awaiting the finalization of the review of organisational structure led by the placement of the key strategic personnel in the Agency.





COMPONENT F

ORGANISATIONAL DEVELOPMENT
PERFORMANCE

COMPONENT F: ORGANISATIONAL DEVELOPMENT PERFORMANCE

6 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 set 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.

6.6 Human resources profile

Table 15: BCMDA Staff Profile

BCMDA Staff Turnover	Actual
Permanent employees at the start of the period – 01 July 2023	15
Contract positions at the start of the period-01 July 2023	18
Interns- 1 July 2023	2
Add: Recruitment for 23/24	7
Less (for 23/24)	
- Resignations	7
- Deaths	0
- Dismissals	0
- Retirements	0
- Terminations	2
Total permanent employees as of 31 July 2024	12
Contract Employees as of 31 July 2024	15
Total employees at the end of the period as of 31 July 2024	29
TOTAL STAFF ESTABLISHMENT	29
Less Actual positions filled	7
Vacancy rate	20,5%

6.7 Learning & Development

The learnership programs provide an excellent opportunity for graduates to acquire experience in their different fields of expertise as well as other operational areas of the BCMDA.

6.8 Recruitment for 2023/24

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:

Table 16: Recruitment for 2023/24

NO.	POSITION	UNIT	ENGAGEMENT DATE
1.	Project Liaison Officer	CEO's office	01/08/2023
2.	Chief Financial Officer	Finance	15/08/2023
3.	Programme Management: Building Civil Engineering	PPDM	01/10/2023
4.	Executive Manager: Corporate Services	Corporate Services	01/11/2023
5.	Manager: Company Secretary & Legal Services	CEO's office	01/12/2023
6.	Chief Executive Officer	CEO's office	01/01/2024
7.	Stakeholder Engagement & Communications Administrator	CEO's office	01/01/2024

6.9 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 2024 as per the employment equity principles in terms of **gender** is reflected as below:

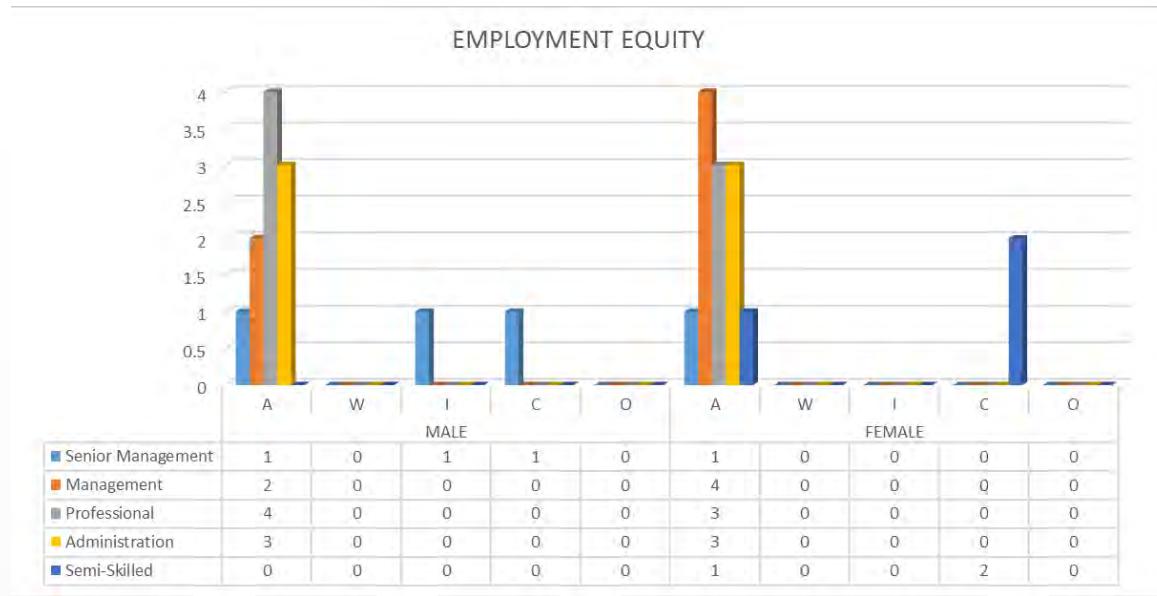


Figure 12: Employment Equity

6.10 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 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 2023/24 FY. Personal development plans (PDP's) are included in the performance review process as part of the coaching and mentorship 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.

6.11 Skills Development and Capacitation

The BCMDA is committed to staff training and development, ensuring professional delivery and a competitive edge. It aims to provide integrated learning experience to its employees that will strengthen their commitment to the Agency values, enhance leadership capability, and improve BCMDA's capacity to meet current and future business requirements. 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.

The development provided to the staff of BCMDA for the financial year is as follow

Table 17: Training/ courses and workshops

TRAINING/ COURSE/ WORKSHOP	NUMBER OF EMPLOYEES	DATES OF TRAINING
1. Public Sector Finance Training	2	04-05 July 2023
2. CaseWare Training	4	06-07 July 2023
3. Africa Trade Conference	1	20-21 August 2023
4. Cigfaro Conference	3	24-26 October 2023
5. Mscoa Conference	2	December 2023
6. Advanced Excel	7	24-26 January 2024
7. Project Management	2	21-23 February 2024
8. Construction Procurement	3	28 - 01 March 2024
9. Advanced Excel	3	13-15 March 2024
10. Draft Budget Working Session	2	09-12 April 2024
11. Sage 300 Payroll Training	2	20-22 May 2024
12. Prince2 Agile	1	10-14 June 2024
13. Project Management	2	26-28 June 2024

6.12 Employee Benefits

The BCMDA participates in two retirement benefit schemes: the Old Mutual Superfund Scheme and the Consolidated Retirement Scheme. Contributions of which are deducted through the payroll and paid directly into both schemes.

6.13 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.

The employee costs for the previous years as a % of operational expenditure are depicted below and have remained within range however with the addition of projects such as the Public Participation Programme these costs have moved the percentages out of range of the acceptable norm as directed by National Treasury of between 25% to 40%.

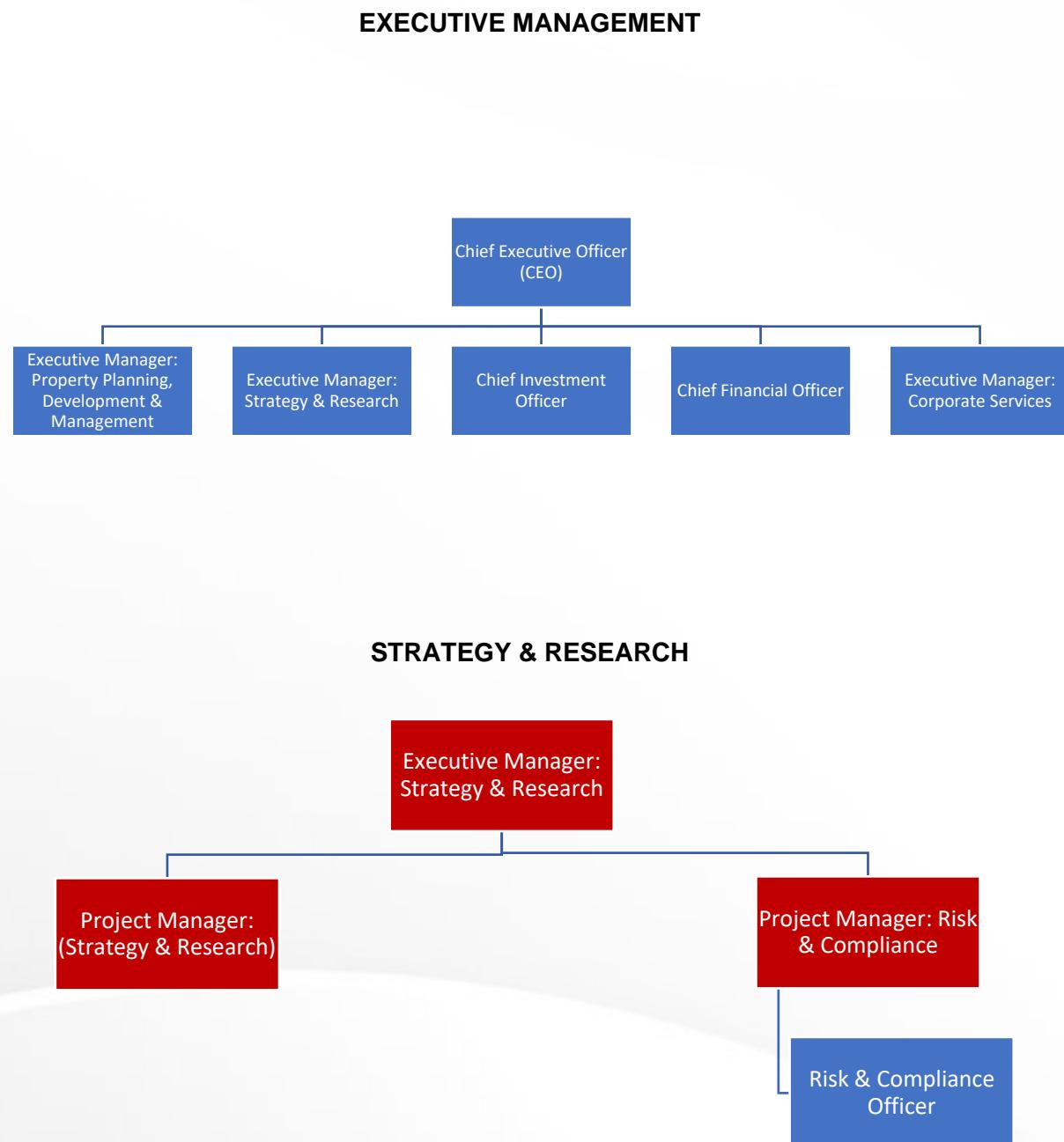
Table 18: Cost of employees

Financial Year	Total Operating Expenditure (OPEX) R million	Cost of Employees (COE) ⁶ R million	COE Increase %	COE as a % of OPEX
2017/2018	24 355 370	15 512 170	Inception	35
2018/2019	31 360 996	17 586 005	73	44
2019/2020	53 915 846	24 249 348	38	40
2020/2021	51 094 594	26 475 174	9	48
2021/2022	53 960 799	23 448 816	-11	57
2022/2023	76 835 273	45 851 453	96	40
2023/2024	63 679 513	43 521 043	-5	32

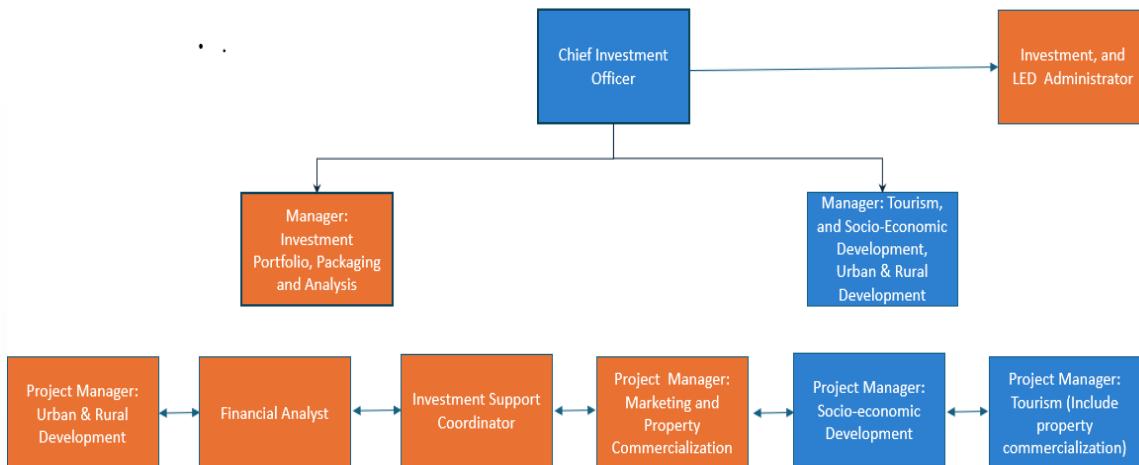
⁶ Included in the COE is the cost for Project related employee costs.

6.14 Organizational Structure

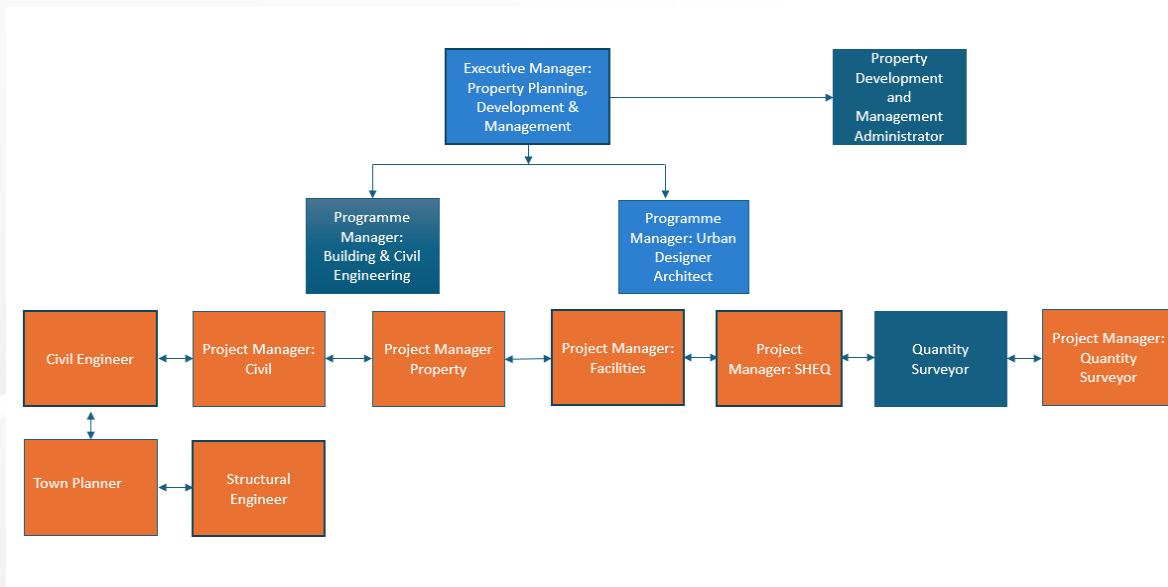
Figure 13: BCMDA organisational structure



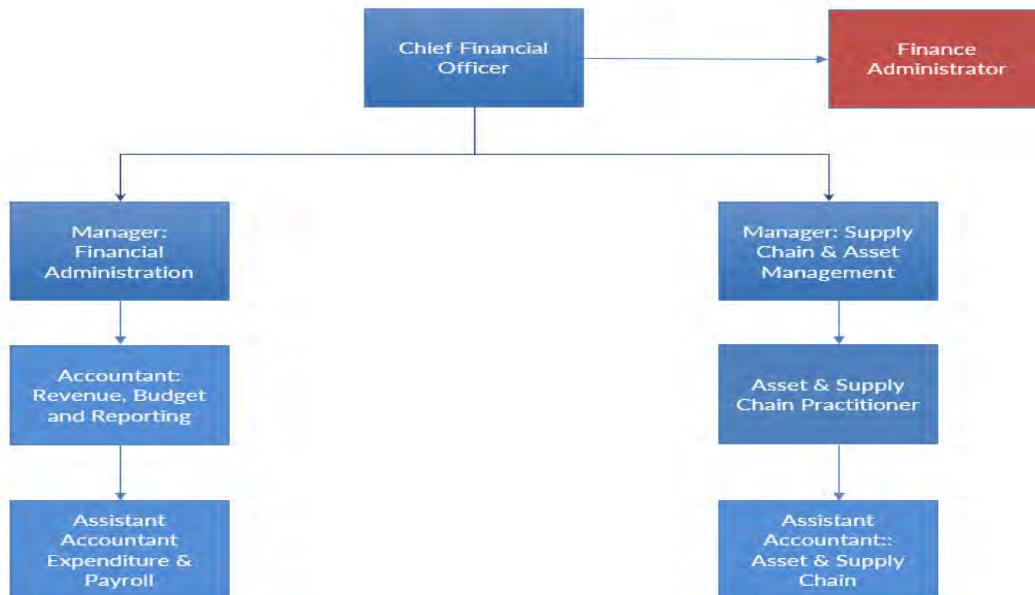
INVESTMENT & TOURISM DEVELOPMENT



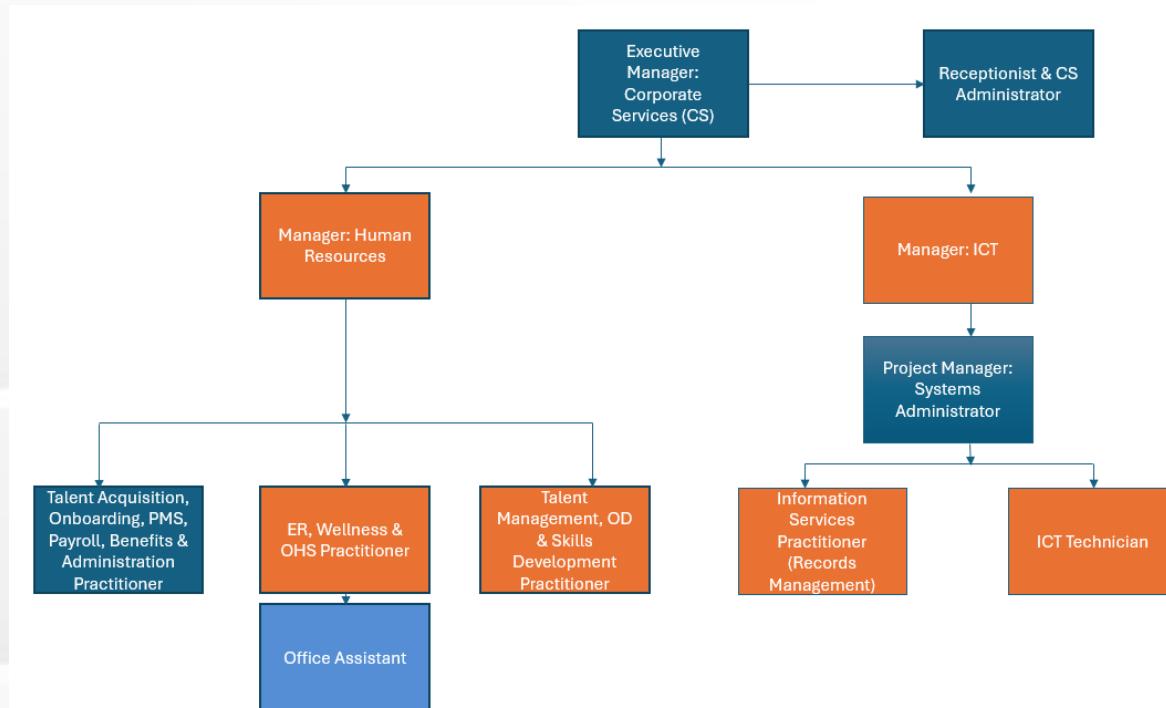
PROPERTY PLANNING, DEVELOPMENT & MANAGEMENT



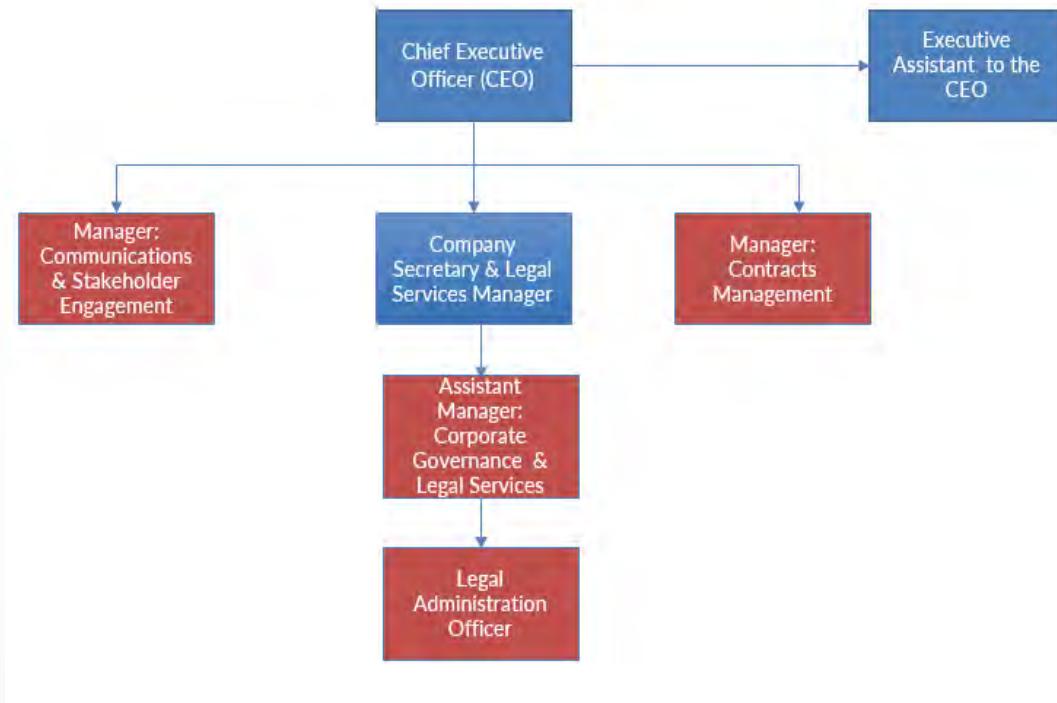
FINANCE



CORPORATE SERVICES



BOARD SECRETARIAT AND LEGAL SERVICES





COMPONENT G

SUPPLY CHAIN MANAGEMENT

COMPONENT G SUPPLY CHAIN MANAGEMENT

7 Bid Committees

In line with the legislative prescripts, the Accounting Officer appointed bid committees to serve during the period 03 July 2023 to 30 June 2024. These committees are constituted as follows:

Table 19: Bid Committee members

Bid Specification Committee (BSC)	Bid Evaluation Committee (BEC)	Bid Adjudication Committee (BAC)
Mr. A. Manciya (Manager: Supply Chain and Asset Management) – Office of the CFO.	Ms. Z. Madabane (Supply Chain and Asset Practitioner) – Office of the CFO.	Mrs. B. Lubelwana (Chief Financial Officer) – Chairperson. (from 16 August 2023)
Mr. O. Makalima (Manager: Marketing and Communications) – IPTD.	Mr. T. Sindane (Project Manager: Tourism Development) - IPDT	Mr. A. Manciya (Manager: Supply Chain and Asset Management) – Office of the CFO.
Ms. N. Zokufa (Manager: Stakeholder Management) – Office of the CEO	Mr. N. Sikoti (Project Manager: Systems Administration) – Corporate Services	Dr. L. Govender (Executive Manager: Strategy & Research) Office of the CEO. (from 10 August 2023)
Ms. T. Hangana (Executive Manager: Property, Planning, Development and Management) – PPDM – Chairperson (from 03 July 2023 to 31 July 2023)	Mr. O. Makalima (Manager: Marketing and Communications) – IPTD – (from 23 August 2023)	Mrs. A. Ntshokoma (Acting Executive Manager: PPDM) – PPMD. (from 17 August 2023)
Ms. S. Mazantsana (Executive Personal Assistant) – Office of the CEO (from 03 July 2023 to 30 September 2023)	Mrs. N. Y. Mqoqi-Mondi (Programme Manager: Building & Civil Engineering) – PPDM - (from 01 November 2023)	Mr. N. Van Wyk (Executive Manager: Corporate Services) – Corporate Services. (from 16 November 2023)
Mrs. A. Ntshokoma (Acting Executive Manager: PPDM) – Chairperson (from 10 August 2023)	Mrs. Z. Thomas (Company Secretary) – Office of the CEO. (from 26 February 2024 to 06 May 2024)	Ms. S. Mgudlwa (Acting CFO) - From 27 June 2024
Mrs. F. Goniwe (HR Practitioner) Corporate Services – (from 10 August 2023)	Mr. X. Hlathi (Project Manager: Socio-Economic Development) – IPTD. (From 1 July 2024 to 31 May 2024)	Mr. S. Peter (Interim Chief Financial Officer) – Chairperson (from 03 July 2023 to 16 August 2023)
Mrs. N. Y. Mqoqi-Mondi (Programme Manager: Building & Civil Engineering) – PPDM - (from 26 February 2024)	Dr. L. Govender (Executive Manager: Strategy & Research) Office of the CEO. (from 03 July 2023 to 09 August 2023)	Ms. T. Tongo (Chief Investment Officer) Office of the CEO (from 03 July 2023 to 31 July 2023)
Miss A. Vabuhlungu (Junior Accountant: SCM and Asset Management) – Office of the CFO. Secretariat	Mrs. A. Ntshokoma (Acting Executive Manager: PPDM) – PPMD. (from 03 July 2023 to 16 August 2023)	Ms. T. Hangana (Executive Manager: Property, Planning, Development and Management) – IPTD - (from 03 July 2023 to 31 July 2023)
	Ms. N. Zokufa (Manager: Stakeholder Management) – Office of the CEO (from 26 February 2024)	Ms. F. Goniwe (Acting Executive Manager: Corporate Services) – Corporate Services (From 03 July 2023 to 17 August 2023) & 01 November 2023
		Ms. N. Zokufa (Manager: Stakeholder Management) – Office of the CEO. (from 03 July 2023 to 23 February 2024)
		Miss A. Vabuhlungu (Junior Accountant: SCM and Asset Management) – Office of the CFO. Secretariat

7.1. The roles of the Committees

7.1.1. Bid Specification Committee

- a. Consider all bids above the threshold value of R750 000 (this threshold was previously R200 000 until December 2023), bids whose project duration exceeds 12 months as well as other bids as and when required.
- b. 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.

Table 20: Bid Specification Committee meetings

COMMITTEE	SITTING DATES	NUMBER OF TENDERS CONSIDERED	MEMBER ATTENDANCE	COMMENT
BSC	07 September 2023	1	80%	The attendance below 100% was due to leave and other urgent commitments.
	04 October 2023	1	80%	
	10 October 2023	1	80%	
	19 October 2023	3	80%	
	10 November 2023	2	60%	
	05 December 2023	2	80%	
	06 December 2023	2	80%	
	12 December 2023	2	60%	
	15 March 2024	2	75%	
	22 March 2024	1	75%	
	05 April 2024	1	75%	
	14 May 2024	1	100%	
	06 June 2024	1	100%	

7.1.2. Bid Evaluation Committee

- a. Evaluate all procurements 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;

Table 21: Bid Evaluation Committee meetings

COMMITTEE	SITTING DATES	NUMBER OF TENDERS CONSIDERED	MEMBER ATTENDANCE	COMMENT
BEC	25 July 2023	1	66.66%	The attendance of less than 100% was due to leave. Due to the nature of its work, the BEC convenes more frequently compared to other Bid Committees.
	26 July 2023	1	100%	
	27 July 2023	2	100%	
	03 August 2023	1	66.66%	
	04 August 2023	1	66.66%	
	28 August 2023	1	100%	
	12 September 2023	1	100%	
	18 September 2023	1	100%	
	21 September 2023	2	100%	
	31 October 2023	2	100%	
	06 November 2023	1	100%	
	09 November 2023	1	100%	
	13 November 2023	1	100%	
	27 November 2023	1	100%	
	12 December 2023	1	100%	
	05 March 2024	1	100%	
	06 March 2024	1	100%	
	07 March 2024	2	100%	
	11 March 2024	1	100%	
	12 March 2024	1	100%	
	25 March 2024	1	100%	
	04 April 2024	1	100%	

7.1.3. Bid Adjudication Committee

- Consider all the reports of the BEC and contract amendments.
- 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.

Table 22: Bid adjudication Committee meetings

COMMITTEE	SITTING DATES	NUMBER OF TENDERS CONSIDERED	MEMBER ATTENDANCE	COMMENT
BAC	27 July 2023	9	100%	The 83% attendance was due to other Agency commitments and leave.
	25 August 2023	1	100%	
	27 September 2023	2	100%	
	28 September 2023	1	100%	
	18 October 2023	1	100%	
	01 November 2023	1	83%	
	28 November 2023	1	83%	
	08 December 2023	1	83%	
	19 December 2023	1	83%	
	08 March 2024	1	100%	
	10 April 2024	3	100%	
	27 June 2024	3	100%	

7.2. Expenditure on B-BBEE

The following tables provide a complete picture of expenditure per B-BBEE category as at 30 June 2024. For the year under review the Agency had set a target of 75% expenditure on B-BBEE level one and the actual achievement was 90.97%.

Table 23: Expenditure on B-BBEE

SUMMARY OF BBBEE EXPENDITURE		
BBBEE CATEGORY	AMOUNT	PERCENTAGE
Level One	R20 272 074.61	90.97%
Level Two	R1 405 650.03	6.31%
Level Three	R318 824.47	1.43%
Level Four	R239 698.57	1.08%
Level Five	R0.00	0.00%
Level Six	R0.00	0.00%
Level Seven	R0.00	0.00%
Level Eight	R0.00	0.00%
Non-Contributor	R47 085.04	0.21%
TOTAL	R22 283 332.72	100.00%

7.3. Capital Expenditure

Table 24: Capital Expenditure

CAPITAL PROJECT	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ADJ - ACT)	VARIANCE (ADJ - ACT) %
COMPUTER SOFTWARE	616 333	416 333	197 463	218 870	53%
OFFICE FURN & EQUIPMENT	191 810	191 810	40 495	151 315	79%
COMPUTER EQUIPMENT	300 000	200 000	439 279	-239 279	-120%
TOTAL CAPITAL PROGRAMME	1 108 143	808 143	677 237	130 906	16%





COMPONENT H

**STATEMENT BY GOVERNANCE
COMMITTEES**

COMPONENT H: STATEMENT BY GOVERNANCE COMMITTEES

STATEMENT BY AUDIT COMMITTEE

The Agency shares the services of the Audit and Risk Committee (ARC) with the Buffalo City Metropolitan Municipality. Leveraging from the parent municipality allows for better harmonisation with the parent municipality as well as improved effectiveness. According to the terms of reference, the ARC must meet at least four times a year to review and advise on matters about organisational financial and non-financial performance as well as look at governance matters and organisational risk amongst others. This is aligned with the reporting requirements of the Agency which are guided by the Municipal Financial Management Act.

During the year under review, the ARC witnessed a change in its membership as the term of the previous ARC came to an end in May 2024. I would like to thank the members of the previous ARC led by Mr. S Ngqwala as interim Chair of the committee for the stewardship they provided the Agency as well as for ensuring a smooth transition to the new team. Below is a list of the members of the previous ARC and the meetings that were convened by it during the period under review.

Previous ARC meetings for 2023-2024

<i>Date of meeting</i>	<i>Mr. Ngqwala</i>	<i>Mr. Maharaj</i>	<i>Ms. Maqwati-Naku</i>
21 Aug 2023	Yes	Yes	Yes
24 August 2023	Yes	Yes	Yes
25 Oct 2023	Yes	Yes	Yes
18 January 2024	Yes	Yes	Yes

I would also like to thank the Board of the BCMDA and management for welcoming me and the new members of the Audit Committee. Already during the year under review, we had started getting to speed with some of the key issues and matters that require our attention.

Current ARC meetings for 2023-2024

<i>Date of meeting</i>	<i>Mr. Luswazi</i>	<i>Mr. Son</i>	<i>Ms. Mudau</i>
28 May 2024	Yes	Yes	Yes

We are a small team in numbers, but a committed one with a formidable and diverse skill set.

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.

- a. The external and internal auditors attend these meetings, and have direct access to the Chairperson of the Committee and Chairperson of the Board;
- b. Reviewing reports from management and the internal and external auditors, to provide reasonable assurance that control procedures are in place and working as intended.
- c. Considering the appointment of both the internal and external auditors, the audit fee and any questions of resignation or dismissal of auditors.
- d. 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:

- a. 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.
- b. There is a regular and ongoing identification, evaluation, management, monitoring, recording, and reporting of risks with a view of improving the Agency's ability to manage and reduce the incidence or impact on the organisation of risks that do materialise. The Risk register is updated monthly.
- 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 ARC, 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 ARC.
- 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 ARC. 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 ongoing risk management process at departmental level, and all employees are required to take ownership of risks that fall within their respective areas of responsibility.

The Board and the ARC 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. Ineffectiveness in developing & promoting the City as a tourism destination.
2. Failure to create an enabling environment to facilitate economic development and attract new investments.
3. Poor contract management
4. Failure to establish effective stakeholder involvement in projects.
5. Inadequate profiling of Agency and brand management.
6. Inability to attract and retain experienced and qualified personnel
7. Inconducive office space
8. Effectiveness of budget management
9. Data Recovery
10. Inability to identify, prevent, respond, and recover from potential cyber attacks

We acknowledge the candidness and honesty that management has been able to demonstrate by reflecting on the core risks and challenges that the organisation is faced with. The strategic and operational risks and mitigation measures have been reported to the Committee and work has been ongoing in attempts to put in place controls to ensure the annual performance plan is implemented.

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. During the financial year under review, the Agency received one fraud incidence report through the fraud hotline, during the period under review the matter was referred to the parent municipality for investigation.

Risk management & information technology

The ARC assessed the impact of risk management and information technology on its functions by:

- 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.
- Considering and reviewing the findings and recommendations of the Internal Audit.

Evaluation of Annual Financial Statements and Performance Information

The ARC has:

- Reviewed and discussed the annual financial statements to be included in the annual report, with the Auditor-General South Africa.
- 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.
- Reviewed the quality and timeliness of the financial information availed to the Audit and Risk Committee for 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.

- The ARC 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.

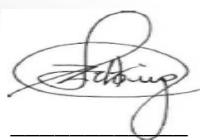
Internal Audit

The ARC reviewed the activities of the external internal audit function and has concluded:

- The function is effective, and there were no unjustified restrictions or limitations.
- 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.
- 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 ARC chairperson and other members. The ARC 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 ARC interacted with the Auditor-General of South Africa during the planning, scoping, and review of the statements and performance information before the submission. We take note of the Auditor-General of South Africa's report and opinion, and we note the areas of improvement that management has been advised to make. Management has been requested to factor in these recommendations in its audit improvement plan for the 2024 - 2025 financial year and going forward.



MR. ZOLA LUSWAZI
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE (BCMDA)

STATEMENT BY THE BOARD OF DIRECTORS

Directors' Responsibilities and Approval

The Agency's controlling Agency 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 Agency 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 Agency 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 Agency and all employees are required to maintain the highest ethical standards in ensuring the Agency's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Agency is on identifying, assessing, managing and monitoring all known forms of risk across the Agency. While operating risk cannot be fully eliminated, the Agency endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 Agency's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the Agency has access to adequate resources to continue in operational existence for the foreseeable future.

The Agency is wholly dependent on the Buffalo City Metropolitan Municipality for the continued funding of operations. The annual financial statements are prepared on the basis that the Agency 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 Agency. The external auditors are responsible for independently reviewing and reporting on the Agency'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 August 2024.

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 last 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 conceptualizing, planning, and executing catalytic socio-economic development capital 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 realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the Agency 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 Agency 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.

Directors' Interest in Contracts

The Directors have declared that they do not have any interest 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 judgments and estimates.

Share Capital / Contributed Capital

There were no changes in the authorized or issued share capital of the Agency during the year under review. The Agency is wholly owned by the parent municipality, it is authorized to issue hundred (100) ordinary shares with no nominal or par value.

Board

During the period under review, the Board was composed of eight non-executive Directors, of which four resigned during the course due to various opportunities and commitments. The members were as follows:

- Mr. Vuyo Mandilakhe Dilima
- Ms. Nobantu Sakube Ndevu
- Mr. Mxolisi Sibam
- Ms. Ngcane Mnadikizela-Renene
- Mr. Noel Van Wyk (resigned as board member)
- Mr. Sindile Toni (resigned as board member)
- Ms. Andisiwe Kumbaca (resigned as a board member)
- Ms. Nolitha Pietersen (resigned as a board member)

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 Agency confirms and acknowledges its responsibility to comply 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 Agency, 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 Agency and is of a unitary structure comprising:

The Chairperson is a non-executive and independent director. The roles of Chairperson and Chief Executive Officer 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. Z Luswazi, who is an independent audit committee member. The committee met during the financial year to review matters necessary to fulfill 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 Agency onto the audit committee.

Internal audit

The Agency outsourced its internal audit function to Ndluntsha Chartered Accountants for a period of three years starting from 18 August 2022, this contract continued during the course of the 2023-2024 financial year and is strictly managed through the audit plan which is agreed to by the BCMDA and the consultant on an annual basis. This is in compliance with the Municipal Finance Management Act, of 2003.

Auditors

The Auditor General of South Africa will continue audit services during the year under review in line with the Municipal Systems Act and well as the Municipal Financial Management Act.

Board Meetings

Table 25: Number of Board and sub-committee meetings

Type of Committee	Board and Committees
Board	12
Governance Committee	1
Organisational Committee	5
Project Development & Investment	4
Audit and Risk Committee	5

Board remuneration

Table 26: New and outgoing Board Remuneration (2023)

BOARD MEMBER	COMMITTEE MEMBERSHIP
Mr. T Bonakele	R 70 500
Ms. S Boo	R 71 500
Ms. T Buswana	R 69 500
Mr. B Canning	R 31 000
Ms. T Godongwana	R 66 500
Ms. M Pango	R 66 500
Mr. C Sangqu	R 62 243
Mr. L Njezula	R 39 654
Ms. N Pietersen	R 325 485
Ms. N Ndevu	R 301 916
Mr. N Van Wyk	R 256 779
Mr. M Dilima	R 290 500
Mr. M Sibam	R 158 000
Mr. S Toni	R 303 378
Ms. A Kumbaca	R 357 068

BOARD MEMBER	COMMITTEE MEMBERSHIP
Total	R 2 470 523

Table 27: New Board Remuneration (2024)

BOARD MEMBER	COMMITTEE MEMBERSHIP
Ms. Nolitha Pietersen	R 158 500
Ms. Nobantu Sakube Ndevu	R 267 450
Mr. Noel Van Wyk	R 94 500
Mr. Vuyo Mandilakhe Dilima	R 238 000
Mr. Mxolisi Sibam	R 180 000
Mr. Sindile Toni	R 268 135
Ms. Andisiwe Kumbaca	R 283 139
Ms. Ngcane Mnadikizela-Renene	R 290 500
Ms. Zukisa Faku	R 211 477
Total	R 1 992 201



Mr. VM Dilima
BCMDA INTERIM BOARD CHAIR



ANNUAL

FINANCIAL STATEMENT

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipal Entity
Nature of business and principal activities	Municipal entity established to be a key implementation instrument in delivering on the Buffalo City Metropolitan Municipality's local economic development agenda.
Board of Directors	Mr A Gqoboka (CEO) Ms N Pietersen (Chairperson) Mr M Dilima (Acting Chairperson) Ms A Kumbaca Mrs N Madikizela-Renene Mrs Z Faku Mr M. Sibam Mr S Toni Ms N Ndevu-Sakube Mr N Van Wyk Ms B Sauli
Audit and Risk Committee	Mr Z Luswazi (Chairperson) - appointed 24 May 2024 Ms F Mudau - appointed 24 May 2024 Mr G Son - appointed 24 May 2024 Mr S Ngqwala (Chairperson) - term ended Mr S Maharaj - term Ended Mrs T Maqwati-Naku - term ended
Chief Financial Officer	Miss S Mgudlwa (Acting CFO)
Registered office	10th Floor Trust Centre Oxford Street East London 5201
Business address	Buffalo City Metropolitan Development Agency 12 Esplanade Road Quigney East London 5201
Postal address	P O Box 134 East London 5201
Controlling entity	Buffalo City Metropolitan Municipality
Bankers	First National Bank Ltd
Auditors	Auditor General of South Africa
Registered Auditors	
Company Secretary	Clark Laing Incorporated
Company registration number	2016/168330/30
Applicable legislation	Municipal Finance Management Act (Act no. 56 of 2003)

Index

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

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Cash Flow Statement	11
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Abbreviations used:

BCMM	Buffalo City Metropolitan Municipality
BCMDA	Buffalo City Metropolitan Development Agency
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
SDA	Service Delivery Agreement
MFMA	Municipal Finance Management Act (Act no. 56 of 2003)
mSCOA	Municipal Standard Chart of Accounts
NDPG	Neighbourhood Development Programme Grant
VAT	Value-Added Tax
PAYE	Pay-As-You-Earn
UIF	Unemployment Insurance Fund

The directors submit their report for the year ended 30 June 2024.

1. Incorporation

The Buffalo City Metropolitan Development Agency (BCMDA) has been operating since its incorporation on 20 April 2016. BCMM has, for the past nine financial years, supported the entity financially as stipulated in the signed Service Delivery Agreement (SDA) which was reviewed in July 2019. BCMM has, in the current financial year (2023/24), transferred the entity's operational budget allocation in two half yearly tranches totalling R 50.6 million (2023: R50.8 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 2024, the entity had an accumulated surplus of R 13 889 641 and that the entity's total assets exceed its total liabilities by R 13 889 641.

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 parent municipality on 01 July 2019 and remains effective for the future operations of the entity. Refer to note 33.

4. Events after the reporting date

The directors are not aware of any material events taking place after the reporting date that would affect the annual financial statements.

5. Directors' interest in contracts

The Directors have declared that they do not have any interests in the contracts of the entity.

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 follows:

Name	Changes
Mr A Gqoboka (CEO)	Appointed Monday, 1 January 2024
Ms N Pietersen (Chairperson)	Resigned Thursday 1 February 2024
Mr M Dilima (Acting Chairperson)	Resigned Friday, 31 May 2024
Mrs N Madikizela-Renene	
Mrs Z Faku	
Ms A Kumbaca	
Mr M Sibam	Appointed Monday, 3 July 2023
Mr S Toni	Appointed Monday, 3 July 2023
Ms N Ndevu-Sakube	Resigned Friday, 31 May 2024
Mr N van Wyk	Resigned Tuesday 31 October 2023
Ms B Sauli	

Shareholders Representative

9. Company Secretary

The company secretary of the entity is Clark Laing Incorporated of:

Business address

Buffalo City Metropolitan Development Agency 12 Esplanade Road
Quigney East London 5201

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 are 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.

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 5 separate occasions during the financial year and 2 Special Executive Committee meetings were held.

Non-executive directors have access to all members of management of the entity.

Audit and risk committee

The Audit and Risk Committee met on 5 separate occasions during the 2023/2024 financial year to execute assigned roles and responsibilities as enacted. One of the meetings was held after the appointment of the current committee Chaired by Mr Z Luswazi.

In terms of Section 166 of the MFMA, Buffalo City Metropolitan Municipality (BCMM), as a parent municipality, must appoint members of the Audit and Risk Committee. BCMM has in line with section 166(6) of the MFMA established a single Audit and Risk Committee to service both the parent municipality and its entity (BCMDA). The Board is satisfied that the Audit and Risk 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 MFMA.

Internal audit

The entity has outsourced its internal audit function to Ndluntsha Chartered Accountants. This is in compliance with the MFMA.

11. Controlling entity

The entity's controlling entity is Buffalo City Metropolitan Municipality.

12. Bankers

All the entity's main bank accounts are held at First National Bank for the year. The Agency held a short-term fixed deposit investment account with Nedbank, which matured in July 2022.

13. Auditors

Auditor General of South Africa will continue in office for the next financial year.

14. Meetings

There were five (5) Board meetings including seven (7) Special Board meetings that were held during the period 01 July 2023 to 30 June 2024. 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 OC met six (6) times, GSEC met two (2) times, PDIC met three (3) times including one(1) Special PDIC meeting and the ARC met five (5) times, during the period under review.

The annual financial statements set out on page 8 to 67, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 August 2024 and were signed on its behalf by:



MR A GQOBOKA (CEO)
CHIEF EXECUTIVE OFFICE

Statement of Financial Position as at 30 June 2024

Figure in Rands	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	51 727	39 960
Receivables from exchange transactions	4	7 992 360	3 189 181
Cash and cash equivalents	5	37 224 042	19 986 574
		45 268 129	23 215 715
Non-Current Assets			
Property, plant and equipment	6	1 021 481	1 203 192
Intangible assets	7	483 349	736 969
		1 504 830	1 940 161
Total Assets		46 772 959	25 155 876
Liabilities			
Current Liabilities			
Finance lease obligation	13	157 612	-
Operating lease liability	8	152 657	89 315
Payables from exchange transactions	9	17 388 600	15 138 969
VAT payable	10	848 650	713 105
Unspent conditional grants and receipts	11	12 222 836	1 353 802
Provisions	12	2 057 294	986 305
		32 827 649	18 281 496
Non-Current Liabilities			
Finance lease obligation	13	55 669	-
Total Liabilities		32 883 318	18 281 496
Net Assets		13 889 641	6 874 380
Accumulated surplus		13 889 641	6 874 380
Total Net Assets		13 889 641	6 874 380

Buffalo City Metropolitan Development Agency

(Registration number 2016/168330/30)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figure in Rands	Note(s)	2024	2023
			Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		90 126	-
Fees earned	17	782 790	2 008 752
Other income	18	300	24 685
Interest received - investment	19	1 686 008	1 117 008
Gain on disposal of assets		1 294	21 590
Inventory reversal		11 766	-
Total revenue from exchange transactions		2 572 284	3 172 035
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	20	68 122 490	56 672 784
Total revenue	21	70 694 774	59 844 819
Expenditure			
Employee related costs	22	(43 521 043)	(43 851 453)
Remuneration of directors	23	(1 992 201)	(2 470 523)
Depreciation and amortisation	24	(1 083 428)	(829 459)
Impairment loss		-	(26 356)
Finance costs		(27 113)	(183)
Contracted services	25	(9 814 009)	(17 088 297)
Inventories losses/write-downs		-	(22 426)
General Expenses	26	(7 241 719)	(11 888 263)
Total expenditure		(63 679 513)	(76 176 960)
(Surplus/Deficit) for the year		7 015 261	(16 332 141)

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Statement of Changes in Net Assets

Figure in Rands	Accumulated surplus / Total net assets (deficit)	
Opening balance as previously reported	14 541 386	14 541 386
Adjustments	902 089	902 089
Correction of error - FY2023		
Correction of error - FY2024	7 763 047	7 763 047
Balance at 01 July 2022 - Restated	23 206 522	23 206 522
Changes in net assets Deficit for the year	(16 990 454)	(16 990 454)
Total changes	(16 990 454)	(16 990 454)
Opening balance as previously reported	6 216 067	6 216 067
Adjustments	658 313	658 313
Correction of errors - Note 41		
Restated* Balance at 01 July 2023 as restated*	6 874 380	6 874 380
Changes in net assets Surplus for the year	7 015 261	7 015 261
Total changes	7 015 261	7 015 261
Balance at 30 June 2024	13 889 641	13 889 641
Note(s)		

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Cash Flow Statement

Figure in Rands	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Grants		78 991 524	48 846 783
Interest income - investment	19	1 686 008	1 271 976
Other receipts		(3 929 963)	39 896 597
		76 747 569	90 015 356
Payments			
Employee costs		(42 387 231)	(44 093 282)
Suppliers		(14 602 177)	(43 482 371)
Finance costs		-	(183)
Remuneration of directors		(2 060 066)	(2 419 961)
		(59 049 474)	(89 995 797)
Net cash flows (used in)/from operating activities	28	17 698 095	19 559
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(174 045)	(265 966)
Proceeds from sale of property, plant and equipment	6	-	21 590
Purchase of other intangible assets	7	(197 463)	(221 944)
Net cash flows (used in)/from investing activities		(371 508)	(466 320)
Cash flows from financing activities			
Finance lease payments		213 281	-
Finance costs		(27 113)	-
Net cash flows from financing activities		186 168	-
Net increase/(decrease) in cash and cash equivalents		17 512 755	(446 761)
Cash and cash equivalents at the beginning of the year		19 986 574	20 433 336
Cash and cash equivalents at the end of the year	5	37 499 329	19 986 575

The accounting policies on pages 16 to 39 and the notes on pages 40 to 67 form an integral part of the annual financial statements.

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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
Figure in Rands						
Statement of Financial Performance Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	-	103 945	103 945	90 126	(13 819)	
Fees earned	400 000	671 893	1 071 893	782 790	(289 103)	N1
Other income	-	300	300	300	-	
Interest received - investment	1 027 113	658 895	1 686 008	1 686 008	-	
Total revenue from exchange transactions	1 427 113	1 435 033	2 862 146	2 559 224	(302 922)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	66 534 377	34 895 166	101 429 543	68 122 490	(33 307 053)	N2
Total revenue	67 961 490	36 330 199	104 291 689	70 681 714	(33 609 975)	
Expenditure						
Employee Related Costs	(39 579 067)	(4 293 031)	(43 872 098)	(43 521 043)	351 055	N3
Remuneration of directors	(2 470 269)	478 068	(1 992 201)	(1 992 201)	-	
Depreciation and amortisation	(874 957)	(211 351)	(1 086 308)	(1 083 428)	2 880	
Finance costs	(2 228)	(24 885)	(27 113)	(27 113)	-	
Contracted Services	(13 587 604)	(34 231 788)	(47 819 392)	(9 814 009)	38 005 383	N4
General Expenses	(11 447 365)	1 952 788	(9 494 577)	(7 241 719)	2 252 858	N5
Total expenditure	(67 961 490)	(36 330 199)	(104 291 689)	(63 679 513)	40 612 176	
Operating surplus	-	-	-	7 002 201	7 002 201	
Gain on disposal of assets	-	-	-	1 294	1 294	
Inventories reversals	-	-	-	11 766	11 766	
	-	-	-	13 060	13 060	
Surplus for the year	-	-	-	7 015 261	7 015 261	
Actual Amount on Comparable Basis as Presented in the	-	-	-	7 015 261	7 015 261	
Budget and Actual Comparative Statement						

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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
Figure in Rands						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	63 620	(11 893)	51 727	51 727	-	
Receivables from exchange transactions	1 470 356	6 522 004	7 992 360	7 992 360	-	
VAT receivable	180 900	(180 900)	-	-	-	
Cash and cash equivalents	9 994 815	27 229 227	37 224 042	37 224 042	-	
	11 709 691	33 558 438	45 268 129	45 268 129	-	
Non-Current Assets						
Property, plant and equipment	1 024 883	(6 283)	1 018 600	1 021 481	2 881	
Intangible assets	928 925	(445 576)	483 349	483 349	-	
	1 953 808	(451 859)	1 501 949	1 504 830	2 881	
Total Assets	13 663 499	33 106 579	46 770 078	46 772 959	2 881	
Liabilities						
Current Liabilities						
Finance lease obligation	-	157 612	157 612	157 612	-	
Operating lease liability	-	152 657	152 657	152 657	-	
Payables from exchange transactions	1 541 951	11 273 892	12 815 843	17 388 592	4 572 749	
VAT payable	-	809 829	809 829	809 829	-	
Unspent conditional grants and receipts	-	12 222 836	12 222 836	12 222 836	-	
Provisions	1 951 772	105 522	2 057 294	2 057 294	-	
	3 493 723	24 722 348	28 216 071	32 788 820	4 572 749	
Non-Current Liabilities						
Finance lease obligation	-	55 669	55 669	55 669	-	
Provisions	-	4 573 848	4 573 848	-	(4 573 848)	
	-	4 629 517	4 629 517	55 669	(4 573 848)	
Total Liabilities	3 493 723	29 351 865	32 845 588	32 844 489	(1 099)	
Net Assets	10 169 776	3 754 714	13 924 490	13 928 470	3 980	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	10 169 776	3 754 714	13 924 490	13 889 641	(34 849)	

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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
Figure in Rands						

Cash Flow Statement

Cash flows from operating activities

Receipts

Grants	68 042 521	10 949 003	78 991 524	78 991 524	-
Interest income	-	1 686 008	1 686 008	1 686 008	-
Other income	1 027 113	(4 957 076)	(3 929 963)	(3 929 963)	-
	69 069 634	7 677 935	76 747 569	76 747 569	-

Payments

Employee costs	(39 554 798)	(2 900 298)	(42 455 096)	(42 455 096)	-
Suppliers	(23 417 288)	8 539 826	(14 877 462)	(14 877 462)	-
Finance costs	(2 228)	-	(2 228)	-	2 228
Remuneration of directors	(2 470 269)	478 068	(1 992 201)	(1 992 201)	-
Other cash item	(100 000)	100 000	-	-	-
	(65 544 583)	6 217 596	(59 326 987)	(59 324 759)	2 228

Net cash flows from/(used in) operating activities	3 525 051	13 895 531	17 420 582	17 422 810	2 228
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Cash flows from investing activities

Purchase of property, plant and equipment	(491 810)	317 765	(174 045)	(174 045)	-
Purchase of other intangible assets	(616 333)		(197 463)	(197 463)	-
	418 870				
Net cash flows from/(used in) investing activities	(1 108 143)	736 635	(371 508)	(371 508)	-

Cash flows from financing activities

Finance lease payments	-	186 168	186 168	186 168	-
Net increase/decrease) in cash and cash equivalents	2 416 908	14 818 334	17 235 242	17 237 470	2 228
Cash and cash equivalents at the beginning of the year	-	19 986 572	19 986 572	19 986 572	-
Cash and cash equivalents at the end of the year	2 416 908	34 804 906	37 221 814	37 224 042	2 228

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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
Figure in Rands						

The accounting policies on pages 16 to 39 and the notes on pages 40 to 67 form an integral part of the annual financial statements.

N1 - There is a variance of 27% on fees earned, these are Project Management fees that the Agency charges BCMM to implement projects on their behalf.

N2 - The variance on government grants & subsidies is 33%. This variance is caused by the application of the standard on principal-agent agreement, wherein BCMDA does not recognise any assets, income and expenditure in relation to the recreational projects done by the Agency on behalf of BCMM.

N3 - The variance is caused by staff departures during the financial year under review and employees were appointed in an acting capacity. There were also some delays in the recruitment processes which resulted in the variance.

N4 - The variance disclosed is mainly due to expenditure relating to the recreational projects that has not been recognised. This is in line with the principal-agent relationship that BCMDA has with its parent municipality, BCMM. Included in the variance is the construction of the Duncan Village Buy Back Centre which did not commence at year end.

N5 - The variance on general expenses is 24% and is due to delays on spending as well as cost cutting measures that were implemented by the Agency. The procurement process on the NDPG Project commenced and was not finalised in the year under review, therefore the spending on general expenditure was not in line with budgeted figures

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Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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 No. 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.

1.2 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.

1.3 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.

1.4 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 related information, have been disclosed in the related notes.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipal 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 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.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Agency's circumstances. The assessment of materiality therefore requires management to apply judgements about:

- a. How information could reasonably be expected to influence the discharge of accountability by the Agency or decisions that the users make on the basis of those annual financial statements.
- b. How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

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 12 - 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 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 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.

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Accounting Policies

1.5 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, its 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.

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.

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Accounting Policies

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	6 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3 years
Other property, plant and equipment (Cellphones)	Straight-line	2 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's 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.

1.6 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.

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Accounting Policies

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.

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	Amortisation method	Average 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.

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Accounting Policies

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).

1.7 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 uncollectability.

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.

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

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Accounting Policies

financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

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.

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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.

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1.7 Financial instruments (continued) 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:

Class	Category
Fixed term deposits	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	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:

Class	Category
Payables from exchange transactions	Financial liability measured at fair value 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.

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.

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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.

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Impairment and uncollectability 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.

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.

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.

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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 recognises 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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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).

1.8 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.

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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

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.

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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.

1.9 Tax

Current tax assets and liabilities

The 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.

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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.

1.10 Leases

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

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

Finance leases - lessor

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

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Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 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.

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The 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.

1.12 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.

1.13 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 assets.

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).

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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.

1.14 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.

1.15 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.

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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.

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.

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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.

1.16 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.

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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 40.

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1.17 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 annual 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.

1.18 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.

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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.

1.19 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.

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.

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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.

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.

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1.20 Investment income

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

1.21 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.

1.22 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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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 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.

1.23 Comparative figures

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

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.

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).

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

1.25 Irregular expenditure

Irregular expenditure 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 MFMA, 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 of South Africa, particulars of the expenditure and steps taken to recover and prevent recurrence of the expenditure.

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 annual 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.

1.26 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.

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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 annual 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 entity. Management will continue to assess its applicability in future financial years.

1.27 Budget information

Entities 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 an entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e 01 July 2023 to 30 June 2024. 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.

1.28 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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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 annual financial statements to understand the effect of related party transactions on its annual financial statements.

1.29 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 annual 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 annual 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 annual financial statements.

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1.30 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 assets or services is not recoverable from the 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.

1.31 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from the management's perspective and does not correlate with the auditors' materiality.

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Notes to the Annual Financial Statements

1. New Standards, Amendments to Standards and Interpretations

1.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 5: Borrowing Costs	01 April 2023	Unlikely there will be a material impact
GRAP 13: Leases	01 April 2023	Unlikely there will be a material impact
GRAP 17: Property, Plant and Equipment	01 April 2023	Unlikely there will be a material impact
GRAP 20: Related parties	01 April 2023	Unlikely there will be a material impact
GRAP 24: Presentation of Budget Information in Financial Statements		
GRAP 31: Intangible Assets	01 April 2023	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	01 April 2023	Unlikely there will be a material impact
Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
GRAP 103 (as revised): Heritage Assets	01 April 2023	Unlikely there will be a material impact
GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
GRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely
GRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
Amendments to GRAP 1 on Presentation of Financial Statements (2022)	0	we

1.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been issued but not yet effective as the date set by the Minister of Finance is for entities' financial year commencing on or after 1 April 2023.

Standard/ Interpretation:	Effective date: Years beginning	Expected impact:
GRAP 104 (Revised 2019): Financial Instruments	01 April 2025	Unlikely there will be a material impact

1.3 Standards and interpretations issued, but effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date for application, the Agency may select to apply the principles established in that Standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standard of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

- GRAP 103 (Revised 2022) - Heritage Assets

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2. New Standards, Amendments to Standards and Interpretations (continued)

- Guideline: Guideline on the Application of Materiality to Financial Statements.
- GRAP 105: Transfer of Functions Between Entities under Common Control.
- GRAP 106: Transfer of Functions Between Entities not under Common Control.
- GRAP 107: Mergers.

The Agency has chosen not to early adopt the above-mentioned Standards.

3. Inventories

Figure in Rands	2024	2023
Consumable stores	51 727	39 960
Inventory Reconciliation		
Opening balance	39 960	62 387
Procured expenses during the year	188 355	196 530
Consumed during the year	(176 588)	(218 957)
Closing balance	51 727	39 960

Included in inventory are items that were held in stock at the end of the financial year.

4. Receivables from exchange transactions

Figure in Rands	2024	2023
Project Management Fee Receivable	495 725	-
Sundry Debtors	1 196 445	3 189 181
BCMM Receivables - Construction	6 196 545	-
Consumer debtors - Hawker stalls	103 645	-
	7 992 360	3 189 181

Sundry debtors are made up of R1.1 million which are invoices billed to the BCMM relating to the Public Employment Programme which commenced in June 2022 and R8 082 in relation to medical aid debt. There are also hawker stall debtors which amount to R103 645 for the rentals at Baby-Lee Park. BCMM Construction fees are made up of R6.1 million in relation to the Court Crescent project and then project management fees receivable are made up of R0.5 million also in relation to the Court Crescent project

5. Cash and cash equivalents

Figure in Rands	2024	2023
Cash and cash equivalents consist of:		
Cash on hand	1 606	25
Bank balances	37 222 436	19 986 549
	37 224 042	19 986 574

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The agency has the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank - Public Sector Cheque Account - 620-9871-7899	7 850 478	1 535 629	1 381 147	7 850 478	1 535 629	1 381 147
First National Bank - Commercial Money Market Account - 620-9871-9358	21 942 780	18 008 837	4 806 233	21 942 780	18 008 837	4 806 233
First National Bank - Public Sector Cheque Account - 629-0192-1983	7 429 178	442 083	11 042 567	7 429 178	442 083	11 042 567
Cash on hand	-	-	-	1 606	25	3 390
Nedbank - Fixed Deposit - 03788-1167637-0000001	-	-	3 200 000	-	-	3 200 000
Total	37 222 436	19 986 549	20 429 947	37 224 042	19 986 574	20 433 337

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.

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Figure in Rands

6. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 603 933	(1 126 333)	477 600	1 563 438	(870 183)	693 255
IT equipment	2 147 546	(1 603 665)	543 881	1 775 176	(1 265 239)	509 937
Total	3 751 479	(2 729 998)	1 021 481	3 338 614	(2 135 422)	1 203 192

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	693 255	40 495	-	(256 150)	477 600
IT equipment	509 937	439 279	(29 140)	(376 195)	543 881
Total	1 203 192	479 774	(29 140)	(632 345)	1 021 481

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	930 240	21 623	(258 608)	693 255
IT equipment	601 482	244 343	(335 888)	509 937
Total	1 531 722	265 966	(594 496)	1 203 192

Pledged as security

None of the above property, plant and equipment has been pledged as security.

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Notes to the Annual Financial Statements

6. Property, plant and equipment (continued) Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	6 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3 years
Other property, plant & equipment (Cellphones)	Straight-line	2 years

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the entity.

An asset was stolen and claimed from insurance resulting in a replacement asset which was valued at R30 434.

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7. Intangible assets

	2024	2023
Cost / Value- ation	Accumulated amortisation and accumu- lated impair- ment	Carrying value
Computer software, other	5 076 750	(4 593 401)
		483 349

Reconciliation of intangible assets - 2024

	Opening bal- ance	Additions	Amortisation	Total
Computer software, other	736 969	197 463	(451 083)	483 349

	Opening bal- ance	Additions	Amortisation	Total
Computer software, other	776 344	221 944	(234 963)	736 969

Pledged as security
None of the above intangible assets are pledged as security.

	Operating lease liability	Current liabilities
	(152 657)	(89 315)

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8. Operating lease liability (continued)

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

9. Payables from exchange transactions

Trade payables	10 416 034	1 765 009
Board claims payable	-	67 865
Other payables	-	6 397 352
Deposits received	1 000	-
Retentions	4 573 848	4 573 848
Staff related payables	2 397 718	2 334 895
	17 388 600	15 138 969

Trade payables are made up of amounts due to service providers that were not paid by 30 June 2024. Staff related payables are mainly statutory deductions, 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 15th of July 2024. Deposit received relates to a vendor rental deposit for the Baby Lee Park in Court Crescent.

The retention liability represents the monies withheld from contractors invoices for the construction of Water World. The retention for Court Crescent was written off in the current financial year as the contractor had a liability agreement which then necessitated the Agency to not withhold a retention for the Court Crescent project. WaterWorld, which has a longer anticipated completion date, had no changes made. Prior year retentions were adjusted for the Court Crescent project, further information is provided in the prior year error note 41.

10 VAT payable

VAT	848 650	713 105
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The Agency is a 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.

11 Unspent conditional grants and receipts

Unspent conditional grants and receipts

NDPG - Integrated Waste Management Grant	12 222 836	1 353 802
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Movement during the year

Balance at the beginning of the year	1 353 802	9 179 802
Additions during the year	8 672 127	232 672
Income recognition during the year	(4 199 358)	(329 172)
VAT recognised	-	1 285 538
Funds due to BCMM	-	(6 397 352)
Funds paid back to BCMM	-	(2 617 686)
Funds recovered by BCMM	6 397 352	-
Unpaid salary	(1 087)	-
	12 222 836	1 353 802

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11. Unspent conditional grants and receipts (continued)

The Agency was appointed by the BCMM to implement the Integrated Waste Management Programme.

BCMM withheld R6.3 million which was owed in the prior financial year, this resulted in a transfer of R9.7 million out of the allocated R16.1 million for the implementation of the Duncan Village Buy Back Centre. There was also an unpaid salary which was subsequently paid in July 2024.

Refer to note 20 for the reconciliation.

12 Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Staff bonus	986 305	1 070 989	2 057 294

Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Total
Staff bonus	1 637 077	(650 772)	986 305

Management made a decision in the 2022/23 financial year to halt performance bonus and therefore no provision was made for that financial year. The balance that is disclosed relates to prior financial years where management is in discussions as to whether the Agency will pay out those bonuses.

Management has made a provision for performance bonus for the current financial year (2023/24) which is included in the reconciliation above.

13 Finance lease obligation

Minimum lease payments due

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

Present value of minimum lease payments due

- within one year	157 612	-
- in second to fifth year inclusive	55 669	-
	213 281	-

Non-current liabilities

Current liabilities	55 669	-
	157 612	-
	213 281	-

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14 Deferred tax Deferred tax asset

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

Therefore, they have been offset in the statement of financial position as follows:

Unrecognised deferred tax asset

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

15 Employee benefit obligations

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. Buffalo City Metropolitan Development Agency has during the financial year made contributions to a Defined Contribution Plan, wherein the fixed contributions are paid on a monthly basis to the fund. Kindly refer to note 36 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 1 642 768 2 049 342

16 Share capital / contributed capital

Authorised

100 Ordinary shares of R1 each 100 100

The Agency is authorised to issue no more than 100 (one hundred) ordinary shares with no nominal or par value.

17 Fees earned

Project Management Fees 782 790 2 008 752

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.

18 Other income

Other income	-	24 685
Tender documents	300	-
	300	24 685

The other income for the prior year relates to Board recoveries as well as staff recoveries.

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Figure in Rands	2024	2023
19 Investment revenue		
Interest revenue		
Bank	1 686 008	1 117 008

The amount included in Investment revenue arising from positive bank balances held in short term call accounts amounted to R 1 686 008.

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Figure in Rands	2024	2023
20 Government grants & subsidies		
Operating grants		
Buffalo City Metropolitan Municipality	44 071 372	44 253 862
LG Seta Grant	46 980	47 080
Neighbourhood Development Programme Grant	2 913 820	329 173
Public Employment Programme	16 742 492	12 042 669
Eastern Cape Development Corporation Grant	4 347 826	-
	68 122 490	56 672 784
Conditional and Unconditional		
Included above are the following grants and subsidies received:		
Conditional grants received	19 656 312	12 371 842
Unconditional grants received	48 466 178	44 300 942
	68 122 490	56 672 784
DEFF - Waste Management Conditional Grant (now DFFE)		
Balance unspent at beginning of year	-	3 019
Conditions met - transferred to revenue	-	(3 019)
	-	-
Neighbourhood Development Programme Grant		
Balance unspent at beginning of year	1 353 802	9 176 783
Current-year receipts	8 672 127	232 671
VAT recognised	-	1 285 538
Conditions met - transferred to revenue	(2 913 820)	(326 153)
Funds paid back to BCMM	-	(2 617 685)
Recognising payment to BCMM/Funds due to BCMM	6 397 352	(6 397 352)
Derecognition of VAT recognised	(1 285 538)	-
Unpaid salary	(1 087)	-
	12 222 836	1 353 802

The Agency was appointed by the BCMM to implement the Integrated Waste Management Programme.

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 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.

BCMM withheld R6.3 million which was owed in the prior financial year, this resulted in a transfer of R9.7 million out of the allocated R16.1 million for the implementation of the Duncan Village Buy Back Centre. There was also an unpaid salary which was subsequently paid in July 2024.

The conditions of the grant have not been met and balance remains in liabilities (see note 11).

Public Employment Programme Grant

Current-year receipts	16 742 492	12 042 669
Conditions met - transferred to revenue	(16 742 492)	(12 042 669)
	-	-

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Figure in Rands	2024	2023
Conditions of the grant have been met.		
21 Revenue		
Rental of facilities and equipment	90 126	-
Fees earned	782 790	2 008 752
Inventories reversal	11 766	-
Gain on disposal of assets	1 294	21 590
Other income	300	24 685
Interest received - investment	1 686 008	1 117 008
Transfer revenue: Government grants & subsidies	68 122 490	56 672 784
	70 694 774	59 844 819

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

Rental of facilities and equipment	90 126	-
Fees earned	782 790	2 008 752
Other income	300	24 685
Interest received - investment	1 686 008	1 117 008
	2 559 224	3 150 445

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

Transfer revenue: Government grants & subsidies	68 122 490	56 672 784
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Notes to the Annual Financial Statements

Figure in Rands	2024	2023
22 Employee related costs		
Basic	31 994 215	22 800 409
Bonus	752 236	-
Medical aid - company contributions	3 756	-
UIF	221 229	150 956
SDL	227 636	259 493
13th Cheques	790 855	605 539
Car allowance	60 000	60 000
Housing benefits and allowances	12 000	48 000
Provident fund	1 327 449	1 167 467
Leave pay provision	539 595	578 875
	35 928 971	25 670 739
Remuneration of Executive Management		
Remuneration - Chief Executive Officer (B Nelana)		
Annual Remuneration	-	1 491 966
Contributions to UIF, Medical and Pension Funds	-	165 424
Settlement cost	-	4 950 000
	-	6 607 390

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

Remuneration - Chief Executive Officer (A Gqoboka)

Annual Remuneration	1 356 916	-
Performance Bonuses	69 030	-
Contributions to UIF, Medical and Pension Funds	24 739	-
	1 450 685	-

Mr A Gqoboka was appointed as Chief Executive Officer on the 1st January 2024.

Remuneration - Chief Financial Officer (V Ntsodo-Boyce)

Annual Remuneration	-	1 368 381
Contributions to UIF, Medical and Pension Funds	-	137 106
	-	1 505 487

The contract for Mrs V Ntsodo-Boyce ended 30 April 2023.

Remuneration - Chief Financial Officer (B Lubelwana)

Annual Remuneration	1 326 222	-
Car Allowance	110 000	-
Performance Bonuses	78 767	-
Contributions to UIF, Medical and Pension Funds	150 364	-
	1 665 353	-

Mrs B Lubelwana was appointed as Chief Financial Officer on the 15th August 2023.

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Figure in Rands	2024	2023
Remuneration - Acting Chief Financial Officer (S Peter)		
Annual Remuneration	4 108	4 042
Contributions to UIF, Medical and Pension Funds	78	40
	4 186	4 082

Mr S Peter was appointed as an Acting Chief Financial Officer up until the 14th August 2023, then a permanent Chief Financial Officer was appointed on the 15th August 2023.

Mr S Peter was seconded by BCMM, and the acting salary is the difference between his BCMM position and BCMDA CFO position.

Remuneration - Acting Chief Financial Officer (S Mgudlwa)		
Annual Remuneration	3 627	-
	3 627	-

Miss S Mgudlwa was appointed as the Acting Chief Financial Officer from the 23rd of May 2024.

Remuneration - Interim Chief Executive Officer (S Peter)		
Annual Remuneration	32 556	-
Contributions to UIF, Medical and Pension Funds	288	-
	32 844	-

Mr S Peter was appointed as Interim Chief Executive Officer effective 16th of August 2023, up until 31 December 2023.

Remuneration - Interim Chief Executive Officer (N van Wyk)		
Annual Remuneration	-	633 590
Contributions to UIF, Medical and Pension Funds	-	531
	-	634 121

Mr N van Wyk was appointed as an interim Chief Executive Officer in the prior year for the periods 1 November 2022 until 25 January 2023.

Remuneration - Interim Chief Executive Officer (M Sibam)		
Annual Remuneration	343 046	1 179 711
Contributions to UIF, Medical and Pension Funds	354	886
	343 400	1 180 597

Mr M Sibam was appointed as Interim Chief Executive Officer for the periods 26 January 2023 until 15 August 2023.

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Figure in Rands	2024	2023
Remuneration - Executive Manager: Corporate Services (X Jikela)		
Annual Remuneration	76 641	2 426 978
Contributions to UIF, Medical and Pension Funds	177	53 220
	76 818	2 480 198

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

Remuneration - Executive Manager: Corporate Services (N van Wyk)

Annual Remuneration	1 180 845	-
Performance Bonuses	85 157	-
Contributions to UIF, Medical and Pension Funds	1 240	-
	1 267 242	-

Mr N van Wyk was appointed on the 1 November 2023 as the Executive Manager: Corporate Services.

Remuneration - Executive Manager: Strategy & Risk (L Govender)

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

Remuneration - Chief Investment Officer (T Tongo)

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

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

Remuneration - Executive Manager: Property Planning, Development and Management (T Hangana)

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

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

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Figure in Rands	2024	2023
22. Employee related costs (continued)		
Remuneration - Acting Executive Manager: Corporate Services (N Zokufa)		
Annual Remuneration	7 629	35 078
Ms M Zokufa was appointed as Acting Executive: Corporate Services effective on 3rd August 2023 - 31st October 2023, taking over from Mrs F Goniwe.		
Remuneration - Acting Executive Manager: Corporate Services (F Goniwe)		
Annual Remuneration	5 618	-
	5 618	-
Mrs F Goniwe was appointed as Acting Executive: Corporate Services in December 2022 up until 2 August 2023.		
Remuneration - Acting Executive Manager: Property Planning, Development and Management (A Ntshokoma)		
Annual Remuneration	24 942	-
Remuneration - Company Secretary & Legal Services Manager (N Mpongo- goshe)		
Annual Remuneration	-	1 082 232
Contributions to UIF, Medical and Pension Funds	-	109 159
	-	1 191 391
N Mpongo-goshe was appointed as Company Secretary on appointed 1 July 2018, and then her contract ended on 30 June 2023.		
Remuneration - Company Secretary & Legal Services Manager (Z Thomas)		
Annual Remuneration	626 471	-
Contributions to UIF, Medical and Pension Funds	1 063	-
	627 534	-
The Company Secretary, Mrs Z Thomas, was appointed on 1 December 2023, and then resigned on the 6 May 2024.		
Total remuneration	43 521 043	43 851 453

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Figure in Rands	2024	2023	
23. Remuneration of Directors			
Non-executive			
2024			
	Board remu- neration	Re-imbursive Costs	Total
Ms N Pietersen (Chairperson)	158 500	-	158 500
Mr N van Wyk	94 500	-	94 500
Ms A Kumbaca	273 000	10 139	283 139
Ms N Ndevu-Sakube	267 000	450	267 450
Mr S Toni	262 000	6 135	268 135
Mr M Sibam	180 500	-	180 500
Mr M Dilima (Acting Chairperson)	238 000	-	238 000
Mrs N Madikizela-Renene	290 500	-	290 500
Mrs Z Faku	211 000	477	211 477
	1 975 000	17 201	1 992 201
2023			
	Board re- muneration	Re-imbursive Costs	Total
Mr T Bonakele	70 500	-	70 500
Ms S Boo	71 500	-	71 500
Ms T Buswana	69 500	-	69 500
Mr B Canning	31 000	-	31 000
Mrs T Godogwana	66 500	-	66 500
Ms M Pango	66 500	-	66 500
Mr C Sangqu	61 500	743	62 243
Mr L Njezula	39 000	654	39 654
Ms N Pietersen	319 500	5 985	325 485
Mr N van Wyk	254 500	2 279	256 779
Ms A Kumbaca	341 000	16 068	357 068
Ms N Ndevu-Sakube	298 000	3 916	301 916
Mr S Toni	288 500	14 878	303 378
Mr M Sibam	158 000	-	158 000
Mr M Dilima	287 500	3 000	290 500
	2 423 000	47 523	2 470 523

The Board's remuneration has decreased by 19% when compared to the previous year. During the financial year two (2) board members had to act in the capacity of Chief Executive Officer until a permanent candidate was appointed on the 1st of January 2024, this decreased the number of attendees in board sittings during the year. During the month of May 2024, the Agency had two (2) board members who resigned, all of this resulted in the decrease in the number of sittings.

24. Depreciation and amortisation

Property, plant and equipment	632 345	594 496
Intangible assets	451 083	234 963
	1 083 428	829 459

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Figure in Rands	2024	2023
25. Contracted services		
Presented previously		
Information Technology Services	342 404	436 402
Security Services	2 603 138	3 352 119
Operating Leases	1 327 402	1 165 772
Specialist Services	1 468 297	1 182 248
Construction Costs	-	693 599
Consultants and Professional Services		
Business and Advisory	3 183 502	6 445 463
Legal Cost	889 266	3 812 694
	9 814 009	17 088 297
26. General expenses		
Advertising	107 732	139 825
Auditors remuneration	934 357	888 866
Bank charges	15 771	35 319
Consumable Materials and Supplies	1 673 021	3 502 794
Delivery expenses	152	1 130
Bursaries	-	66 090
Insurance	197 999	178 105
Catering	140 465	128 351
Workmen's Compensation	199 716	286 309
Software expenses - Licences	1 667 074	933 995
Marketing	-	520 304
Promotions and sponsorships	423 361	1 305 843
Fuel and oil	32 771	36 058
Printing and stationery	28 476	3 513
Protective clothing	90 194	1 051 149
Repairs and maintenance	19 140	20 042
Employee wellness	24 815	99 581
Subscriptions and membership fees	-	29 883
Telephone and fax	210 150	244 159
Transport expenses	28 900	34 162
Training and Conferences	258 884	369 020
Travel, accommodation and subsistence - local	548 041	1 006 824
Utilities	167 749	97 382
Audit and Risk Committee remuneration	196 160	441 660
Placement fees	30 595	81 543
Refreshments	73 596	82 355
Venue expenses	172 600	304 001
	7 241 719	11 888 263

There is an overall 39% decrease on general expenditure when compared to the previous financial year. As a result of a decrease in the Operational Grant budget allocation from BCMM, the Agency has had to cut down on various expenditure spending to cater for the decrease in the budget allocation. Such expenditure included consumable material and supplies, promotions and sponsorships as well as travel and accommodation. The expenditure on protective clothing decreased due to project continuation. Catering and venue hire expenses increased as more physical meetings continued from the prior year.

27. Auditors' remuneration

Fees	934 357	888 866
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Figure in Rands	2024	2023
28. Cash (used in)/ from operations		
(Deficit)/Surplus for the year	7 015 261	(16 332 141)
Adjustments for:		
Depreciation and amortisation	1 083 428	829 459
Loss/(Gain) on sale of assets	(1 294)	(21 590)
Finance costs - Finance leases	27 113	-
Impairment loss	-	26 356
Movements in operating lease liability	63 342	20 947
Movements in provisions	1 070 989	(471 436)
Changes in working capital:		
Inventories	(11 767)	22 427
Receivables from exchange transactions	(4 803 179)	38 018 128
Prepayments	-	104 436
Payables from exchange transactions	2 249 623	(14 564 219)
VAT payable	135 545	213 192
Unspent conditional grants and receipts	10 869 034	(7 826 000)
	17 698 095	19 559
29. Financial instruments disclosure		
Categories of financial instruments		
2024		
Financial assets		
	At fair value	Total
Receivables from exchange transactions	7 992 360	7 992 360
Cash and cash equivalents	37 224 042	37 224 042
	45 216 402	45 216 402
Financial liabilities		
	At fair value	Total
Payables from exchange transactions	17 388 600	17 388 600
2023		
Financial assets		
	At fair value	Total
Receivables from exchange transactions	3 189 181	3 189 181
Cash and cash equivalents	19 986 574	19 986 574
	23 175 755	23 175 755
Financial liabilities		
	At fair value	Total
Payables from exchange transactions	15 138 969	15 138 969

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Figure in Rands	2024	2023
30. Commitments		
Authorised operational expenditure		
Already contracted for but not provided for		
Operating Lease - Premises	2 475 111	3 763 072
Supply and Configuration of Board Management Software for a period of 36 months	257 681	-
Provision of Safety and Security Services at the Baby Lee Jegels Fun Park (Court Crescent) and Water World Sites on a month-to-month basis up to 3 months	124 744	-
Provision of Strategy and Annual Performance Plan Facilitation to the Buffalo City Metropolitan Development Agency (BCMDA) SOC LTD	172 500	-
Provision of brokerage technical support and short-term insurance for the BCMDA for a period of 3 years	23 320	-
Web Hosting, Maintenance and Support of the Website for a period of 12 months	55 200	-
Construction Project management services at Court Crescent	894 080	-
East London Beachfront Precinct Project - Court Crescent	-	2 187 906
Property Finance Advisory Services	-	5 567 840
Supply and delivery of Cloud Based Laptop Backup Solution	-	214 876
Duncan Village Buy-Back Centre and Integrated Waste Management Services	-	898 382
Provision of Integrated Marketing and Communication Services	-	1 135 173
Transactional advisory services deal negotiations, property finance and related	-	373 750
Advisory services		
Provision of brokerage technical support and short-term insurance for the BCMDA for a period of 3 years	-	247 444
Provision of safety and security services in Quigney, EL CBD, Southernwood for 24 months	-	1 671 373
Development of various tourisms routes in Buffalo City	228 186	1 227 958
Support and maintenance of SAGE evolution and SAGE 300 people	1 111 103	945 209
PR/Media Services for Duncan Village Waste Management Programme	-	174 562
Provision of Marketing and Branding Services for Duncan Village Waste	-	163 251
Management Programme		
Provision of Social Media Services for Duncan Village Waste Management Programme	-	23 920
Provision of Internal Audit Services for a period of 3 years	548 491	981 345
Development of a Digital Events Calendar and a Booking Portal for Events that will be hosted at Court Crescent and Waterworld Recreational Parks	-	122 000-
Development of a Business Improvement District Strategy (Bids) for the Buffalo City Metro, with Oxford Street as the pilot	-	57 500
Marina Glen B (Ebhulanti), Little Mauritius and the Esplanade (Eastern Beach to Moore Street Intersection) Cleaning and Landscaping services	-	367 497
Two Multi-Function Copier Rental, Maintenance and Consumables for 36 Months	102 421	163 646
Provision of Project Management Services for the Public Art and Landscaping Components of the Public Employment	-	294 495
Provision of Safety and Security in the Water World Fun Park Project Site, West Bank EL	-	365 130
Hosting of BCMDA Disaster Recovery Virtual Server for A Period of 36 Months	151 259	246 050
Supply and Delivery of Unified Communication and Mobile Communication	1 080 815	1 475 774
Services to the State for a period of 36 Months		
Ikhaya Training and Consulting	28 800	-
Supply and delivery of office supplies	-	3 973
Supply and Delivery of Office Glass Cabinet	-	16 675
Lodgement of annual returns	-	7 600
Supply and Delivery of Laptop bags	-	12 179
Travelling Arrangements for Ms. Kumbaca	-	19 368
Caseware Training for OCFO Officials	-	31 981
	7 253 711	22 759 929
Total operational commitments		

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Figure in Rands	2024	2023
30. Commitments (continued)		
Already contracted for but not provided for	7 253 711	22 759 929
Total commitments		
Authorised operational expenditure	7 253 711	22 759 929

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. There were no capital commitments during the 2023/24 financial year.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 526 512	1 526 512
- in second to fifth year inclusive	890 465	2 416 977
	2 416 977	3 943 489

Operating lease payments represent rentals payable by the entity for its office space and two multipurpose printers/copiers. A new contract for office space was entered into and the lease is for a period of three years with an escalation clause of 7% per annum and 9% in the two subsequent years.

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Figure in Rands	2024	2023
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31. Related parties

Relationships	
Directors	Refer to directors' report note
Controlling entity	Buffalo City Metropolitan Municipality
Members of key management	Mr A Gqoboka (CEO) Mrs B Lubelwana Miss S Mgudlwa (Acting CFO) Mr N van Wyk Mr KL Govender Mrs A Ntshokoma (Acting Executive: PPDM)

Refer to note 22 for the remuneration of key management and note 23 for the remuneration of Directors.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

Buffalo City Metropolitan Municipality	6 692 268	
Buffalo City Metropolitan Municipality (PEP)	1 188 363	1 903 643
Buffalo City Metropolitan Municipality (NDPG)	-	1 285 538
Buffalo City Metropolitan Municipality (NDPG)	-	(6 397 352)

Trade receivables relate to invoices issued to BCMM for the implementation of Court Crescent recreational project. The above were outstanding invoices at 30 June 2024. The prior year trade payables relate to an outstanding debt where BCMM paid National Treasury on behalf of BCMDA. The liability relates to unspent conditional grants as at year end.

Related party transactions

Grants Received from related parties

Buffalo City Metropolitan Municipality - Operational Grant	44 071 372	44 253 862
Buffalo City Metropolitan Municipality (NDPG)	14 037 500	-
Buffalo City Metropolitan Municipality - Recreational Projects	9 784 879	21 226 622
Buffalo City Metropolitan Municipality (PEP)	16 742 492	12 042 669

Project Management Fees from related parties

Buffalo City Metropolitan Municipality	782 790	1 698 130
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Key management information

Class	Description	Number
Non-executive board members	Board of Directors	5
Audit and risk committee	Shared with parent municipality	3
Executive management	Agency management	5
Councillors	Shareholder representative	1

32. 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.

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Figure in Rands	2024	2023
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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.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. 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 1.38:1, which means that the entity will be able to settle its debt as it becomes due.

Current assets	45 268 129	23 215 715
Current liabilities	(32 827 649)	(18 281 496)
	12 440 480	4 934 219

Liquidity Ratio

Current Assets/Liabilities	1,38	1,27
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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	2024	2023
Cash and cash equivalents	37 224 042	19 986 574

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.

33. Going concern

We draw attention to the fact that at 30 June 2024, the entity had an accumulated surplus of R 13 889 641 and that the entity's total assets exceed its total liabilities by R 13 889 641.

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 Parent Municipality has allocated R44.5million as an Operational Grant to the Agency for the 2024/25 financial year.

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 parent municipality on 01 July 2019 and remains effective for the future operations of the entity.

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Figure in Rands	2024	2023
34. 34. Fruitless and wasteful expenditure		
Opening balance as previously reported	508 171	508 155
Add: Fruitless and wasteful expenditure identified - current	328	12 164
Add: Fruitless and wasteful expenditure identified - prior period	48 899 958	-
Less: Amount recovered - current	-	(12 148)
Closing balance	49 408 457	508 171

The opening balance is made up of fines and penalties that were charged by SARS and the Department of Labour in the 2018/19 financial year. Included in opening balance is a figure of R387 000 which emanates from the conclusion or findings made as reported in the Financial Misconduct Disciplinary Board's report as detailed in note 39.

Fruitless and wasteful expenditure is presented inclusive of VAT. The majority of the prior year balance is as a result of the Agency having to pay for expenditure incurred by the Board of Directors which was not previously agreed upon, these amount to R12 148 which was subsequently recovered from board members. Included in the balance for the current year are fines and penalties from SARS which amount to R311 and R17 made up of bank debit interest.

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

35. Irregular expenditure

Opening balance as previously reported	26 271 445	-
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	13 146 329	26 271 445
Less: Amount written off - current	(39 165 059)	-
Closing balance	252 715	26 271 445

Irregular expenditure is presented inclusive of VAT.

Irregular expenditure incurred as at 30 June 2024 amounted to R39 165 059. Of this amount R331 430.00 was incurred in the previous financial year and relates to expenditure on contracts that were affected by the adoption of the incorrect gazette, R36 644 587 relates contracts that were awarded from improperly constituted BAC and two contracts whose renewal was not in line with the MFMA requirements and related expenditure to date is R2 441 757. Irregular expenditure incurred in the 2023/24 financial year to date amounts to R13 146 329. The Board resolved to write off an amount of R39 165 059 as at 30 June 2024. The closing balance of R252 715 relates to one of the two contracts whose renewal was found to be irregular and particulars thereof are yet to be investigated.

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Figure in Rands	2024	2023
36. Additional disclosure in terms of MFMA Audit fees		
Current year fee	934 357	888 866
PAYE and UIF		
Opening balance	1 068 131	589 580
Current year contributions	7 064 734	10 524 359
Amount paid - current year	(7 483 920)	(10 045 808)
	648 945	1 068 131
Provident fund contributions		
Opening balance	136 854	134 818
Current year contributions	1 642 768	2 049 342
Amount paid - current year	(1 722 112)	(2 047 306)
	57 510	136 854
VAT		
VAT Payable	848 650	713 105

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Figure in Rands	2024	2023
37. 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.

Deviations undertaken during the year related to instances where it was impractical to follow the normal procurement processes due to various reasons ranging from urgent litigation matters, unavoidable safeguarding, completion and handing over of capital projects. All instances of deviations were reported to the board.

Supplier details:

MMDP Quantity Surveyors and Project Managers	91 172	-
Mayedwa Attorneys	185 138	-
IC Clark Inc Attorneys	-	144 820
Sakhele Inc Attorneys	-	2 076 584
Tsika Attorneys Incorporated	-	860 073
Mabece Tilana Inc	-	408 718
Pharaoh Security Services	597 144	172 215
Jolwana Mgidlana Inc	227 261	-
YG Solutions	153 640	-
Gauflora CC	5 182 275	-
Nala Consortium	-	-
	6 436 630	3 662 410

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Figure in Rands	2024	2023
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37. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Details of the arrangement is 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 R9.7 million (2022/23: R21.2 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 abovementioned 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 R782 790 (2023: R1 698 129).

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 2024 amounting to R6.1 million.

Corresponding rights of reimbursement that have been recognised as assets are invoices billed to the City amounting to R7.8 million. A portion of the receivables was subsequently paid by the City.

38. Alleged financial misconduct investigation

An alleged financial misconduct incident was identified in the prior financial years. 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. As at year end, 30th June 2024, there will be no further financial implications on the matter, as the matter is finalised. The final decision was granted by the Chairperson on the 24th of June 2024, finding the employee guilty.

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Figure in Rands	2024	2023
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40. Contingencies

The Agency has the following contingent liabilities as at 30 June 2024.

Details of contingent liabilities

Thembeka Doreen Tongo

- Miss Thembeka Tongo launched an application with the CCMA after her dismissal. The dismissal was as a result of non-confirmation of employment after probation period. Settlement was reached during the month of September 2023.

Thulisiwe Catherine Hangana

- Miss Thulisiwe Hangana launched an application with the CCMA after her dismissal. The dismissal was as a result of non-confirmation of employment after probation period. The settlement agreement was withdrawn by Miss Hangana's representatives based on her non-agreement to the terms of the agreement. Miss Hangana is now preparing for an arbitration to proceed on a date which will be scheduled by the South African Local Government Bargaining Council.

Mvusuludzo Projects cc

- Mvusuludzo Projects was appointed to construct the WaterWorld Fun Park located at the Racing Track East London. Their contract was terminated due to non-performance and a dispute ensued as to validity of the invoice submitted in relation to works performed. An arbitration was embarked on and an award was issued validating the termination. Parties were ordered to calculate amounts due which were not concluded at reporting date. Mvusuludzo issued a Dissatisfaction Notice due to the difference in valuation of work completed, the issue was referred back to the consultant (Mekan) to consider and make an appropriate ruling in terms of the GCC 2015.

Mariswe (Pty) Ltd

- Contract was terminated between BCMDA and Mariswe due to design which were not according to the scope of the Agency, this led to a termination. Mariswe instituted legal proceedings which resulted in a letter of demand for a payment of R1 million in relation to services rendered. It is currently being defended by the Agency's lawyers. BCMDA lawyers have not received any communication from the lawyers of Mariswe.

2024
-
2023
284 807

6 508 540
6 508 540

30 829 550 Amount cannot be quantified due to outstanding assessments to be performed by affected parties.

1 075 427
1 075 427

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Figure in Rands	2024	2023
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41. Prior period errors

In the prior year, errors occurred in relation to Retentions. The error relates to the Court Crescent project

The Agency initially accounted for retention erroneously as withheld on monthly invoices. Upon confirmation that a retention should not have been withheld as the contractor will use a construction guarantee should there be a need, a retrospective correction had to be effected to ensure a correct amount is disclosed. In the 2023 financial year, the initial adjustment effected was aimed at correcting the expenditure, VAT and provisions to correctly account for what relates to the said financial year and the secondary adjustment was to adjust the opening balance with the provision emanating from the prior years. Upon further analysis of payment certificates it was determined that accounts payables was under stated.

The changes to the Statement of financial position relate to the 2022 financial year where an adjustment was made to Retentions.

There was another prior error which resulted in a reclassification being made, this resulted in Retentions being reclassified from Provisions to Payables from exchange transactions.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Retentions	-	14 303 058
VAT	-	(1 307 849)
Accumulated surplus	-	(8 421 361)
Payables from exchange transactions	-	(4 573 848)

Statement of financial performance

Contracted services	-	(658 313)
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Cash flow statement

Cash flow from operating activities

Retentions	-	(697 134)
VAT	-	38 822
	-	(658 312)



AUDITOR

GENERAL'S REPORT

Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on 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 xx to xx, which comprise statement of financial position as at 30 June 2024, 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 2024 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 (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 responsibilities of the auditor-general 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 matters

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 34 of the financial statements, fruitless and wasteful expenditure of R48,9 million that was incurred in the previous years was identified in the current year.

7

⁷ Refer to page 102 to 169 of the financial statement

Irregular expenditure

8. As disclosed in note 35 of the financial statements, irregular expenditure of R13.1 million was incurred, as a result of non-compliance with the supply chain management (SCM) Regulations.

Restatement of corresponding figures

9. As disclosed in note 41 of the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipal entity at, and for the year ended, 30 June 2024.

Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

11. 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.

Responsibilities of the accounting officer for the financial statements

12. 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 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.
13. In preparing the financial statements, the accounting officer is responsible for assessing the 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.

Responsibilities of the auditor-general for the audit of the financial statements

14. 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.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 8, forms part of our auditor's report.

Report on the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
17. I selected the following material performance indicators related to Outcome 3: Vibrant and attractive local spaces, presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.
 - Number of socioeconomic projects implemented and under management.
 - Number of properties under design.
 - Number of beach sites renovated.
 - Number of property development projects completed and handed over.
 - Number of private property investments that get all the necessary approvals from both local and provincial government.
18. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery on its mandate and objectives.
19. I performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives.
 - all the indicators relevant for measuring the municipal entity's performance against its primary mandated and prioritised functions and planned objectives are included.
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements.
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents.

- the reported performance information presented in the annual performance report in the prescribed manner;
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

20. I performed the procedures to report material findings only, and not to express an assurance opinion or conclusion.

21. The material findings on the reported performance information for the selected material indicators are as follows:

Various indicators

22. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents as the actual achievement is not disclosed in the annual report. The entity documented the reported achievement as achieved or not achieved. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Indicator	Target	Reported achievement
Number of socioeconomic projects implemented and under management.	Two socio-economic projects implemented and under management.	Achieved
Number of properties under design	One property (Esplanade).	Not achieved
Number of beach sites renovated.	One beach site (Winter strand beach).	Not achieved
Number of property development projects completed and handed over.	One project completed (Water World Fun Park).	Not achieved
Number of private property investments that get all the necessary approvals from both local and provincial government.	Five projects at Sleeper Site, Marina Glen A, Seaview Terrace, Water World Hotel Site and Victoria Grounds.	Achieved

Number of private property investments that get all the necessary approvals from both local and provincial government

23. The indicator number of private property investments that get all the necessary approvals from both local and provincial government was reported as achieved in the annual performance report. However, the audit evidence showed the indicator is not achieved.

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

26. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages 45 to 72

Vibrant and attractive local spaces

<i>Targets achieved: 33% Budget spent: 30%</i>		
Key indicators not achieved	Planned target	Reported achievement
Number of properties under design.	One Property (Esplanade).	Not achieved
Number of beach sites renovated.	One beach site (Winter strand Beach).	Not achieved
Number of property development projects completed and handed over.	One project completed (Water World Fun Park).	Not achieved

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for vibrant and attractive local spaces. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

28. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipal entity's compliance with legislation.

29. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

30. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently

38. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
39. Management did not implement adequate internal controls to ensure the preparation of accurate and complete financial statements and annual performance report as material misstatements were identified that resulted in the material non-compliance with legislation and material findings on performance information.

Auditor-General

East London

29 November 2024



Auditing to build public confidence.

Annexure to the auditor's report

1. The annexure includes the following:
 - The auditor-general's responsibility for the audit
 - The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. 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 material performance indicators and on the municipal entity's compliance with selected requirements in key legislation.

Financial statements

3. 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.
 - conclude on the appropriateness of the 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 municipal entity 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

4. 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.
5. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections 1, 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), 87(8), 88(1)(a), 90(1), 90(2)(a), 90(2)(b), 95(d), 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), 99(2)(b), 99(2)(c), 99(2)(g), 102(1), 102(2)(a), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 172(3)(a), 172(3)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations: 73(1)(a), 73(1)(b), 73(2)(a), 73(2)(b), 73(2)(d), 75(1), 75(2)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Section 93B(a), 93C(a)(iv)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 5(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections: 46(1)(a), 46(1)(b), 46(1)(c)

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 this Volume 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 Chapter 7 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 2023/24 to ascertain whether minimum disclosure requirements were adhered to terms of MFMA Circular 63 on Annual report requirements.



ACTING CHIEF FINANCIAL OFFICER: MR. A MANCIYA



CHIEF EXECUTIVE OFFICER: MR. A GQOBOKA



CHAIR OF THE BOARD: MR. M DILIMA

