



CITY OF  
CAPE TOWN

ANNUAL  
REPORT

2010/11



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

THIS CITY WORKS FOR YOU





**The City of Cape  
Town is maintaining  
its excellent record  
of high-quality  
service delivery and  
its reputation as a  
local authority that  
responds to the  
needs of its citizens**



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# The five pillars for the future

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the opportunity city



the safe city



the caring city



the inclusive city



the well-run city



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## Cape Town is tops ... again >

Cape Town was once again named the world's top travel destination in the TripAdvisor 2011 Travellers' Choice Destination Awards, beating international competitors like London and New York to the prize.



## Water quality recognised

At the 2010/11 Department of Water Affairs Blue and Green Drop awards, the City of Cape Town's drinking-water quality achieved a Blue Drop score of 97,61%, and the City took home 11 of the 40 Green Drop certificates awarded nationally.



# 7 472

HOUSING OPPORTUNITIES PROVIDED

## ^ City beaches are the best

Six of Cape Town's beaches earned Blue Flag status and two received pilot Blue Flag status. The awards recognise the cleanliness and safety of the beaches, and the fact that they have adequate ablution facilities and parking, are environmentally sound and adhere to international tourism standards.

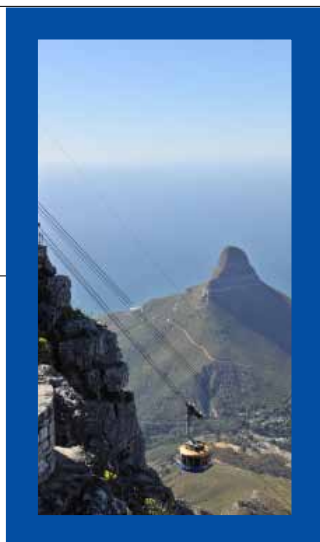
## New MyCiTi routes launched >

Cape Town's public transport system took another big step forward with the launch of several new MyCiTi services, including the first main route between Table View and the city centre and four feeder bus services.



## Eighth consecutive unqualified audit received from Auditor-General

The City remains focused on good governance, and continues to comply fully with the required legal accounting frameworks for government, as well as all financial legislative requirements.



## Cape Town is 2014 World Design Capital

This announcement confirms the relevance of the City's approach of using design to make Cape Town an even better place to live in.







## Promoting life in the "slower lane" >

The first walking and cycling lanes of the new MyCiTi transport system were launched as part of the City's commitment to promoting greener and healthier public transport.



## Green Goal takes gold

The 2010 FIFA World Cup™ Host City Cape Town Green Goal programme won the International Olympic Committee (IOC) Sport and Environment award. The Cape Town 2010 Green Goal programme was selected from among 43 projects from 34 countries.



## < Giving Capetonians access to water

The City set itself a target of installing 200 water access points (taps) in informal settlements during the 2010/11 year. This target was significantly exceeded, with 511 taps installed.

## Reduced the percentage unaccounted-for water from 26,6% to 22,2%

This significant improvement on previous efforts is well ahead of the target of 22,5%, and demonstrates the effectiveness of the City's water balance and loss reduction strategy.

# 13 145

JOB OPPORTUNITIES CREATED via the Expanded Public Works Programme.

## Energy consumption reduced by 10,3%

A key environmental sustainability indicator for the City is its ability to reduce electricity consumption below projected unconstrained electricity consumption figures. During the 2010/11 financial year, the City exceeded its target in this regard.



## Recognised for effective water management

The City of Cape Town became the first ever recipient of the Southern African Development Community (SADC) water demand management (WDM) award – which recognises the achievements of organisations that have worked towards improving understanding, awareness and implementation of WDM measures.



**We will continue to face our challenges and actively address the issues that require attention in order to ensure that we build the best possible city for our citizens, visitors and investors.**



All cities face challenges. As a South African city, sometimes our challenges feel particularly acute due to a combination of the pressures of a modern, developing city and Cape Town's unique history.

These challenges see us trying to overcome the divisions of the past, and having to deal with a history of inequality and the painful attendant history of separate development. They are the challenges that have resulted from decades of skewed development priorities. And today they are exacerbated by increasing urbanisation, the pressures of broader economic uncertainty and limited resources.

And while these challenges might appear to threaten our horizons, there is another challenge of which we must be mindful, namely the broader requirement of government to bring together competing pressures and forces and, as custodians of the city and its future, forge a system to sustain the development of Cape Town and its people.

Any government must be willing to address those problems that do not appear to have ready solutions, and see them as opportunities. In so doing, the City of Cape Town has committed itself to the principles of innovation and dynamic leadership – both of which, we believe, are essential qualities that will help take us forward into the future.

The City performed well in the 2010/11 financial year. The City of Cape Town is maintaining its excellent record of high-quality service delivery and its reputation as a local authority that responds to the needs of its citizens. Despite the many challenges, the City has managed its resources in a way that will ensure its continued success going forward.

Of course, there is always room for improvement, particularly in an organisation such as ours, which is committed to always exceeding its past performance.

We will continue to face our challenges and actively address the issues that require attention in order to ensure that we build the best possible city for our citizens, visitors and investors.

In all of this, we will continue to be guided by the five key pillars of a safe, caring, inclusive, well-run, opportunity city.

With these pillars as our guide, and on the solid platform that has already been laid, the City of Cape Town aims to take Cape Town to the next level of excellence, and entrench it as a benchmark of local government in South Africa.



Ald. Patricia de Lille

Executive Mayor of Cape Town



**Cape Town is indeed a city of opportunity for all, and the City of Cape Town is working, with renewed energy and vigour, to make sure that as many of the city's residents as possible get to enjoy the opportunities they deserve.**

The financial year following Cape Town's very successful hosting of the 2010 FIFA World Cup™ was "back to business" for the City of Cape Town, and the people, businesses and organisations in the city. The event saw Cape Town notching up invaluable international exposure and gaining over R13 billion in public sector infrastructure – all of which now benefits residents and visitors. What's more, Cape Town proved its capability as an international event city.

After the soccer spectacular, all municipalities had to refocus on the core business of local government, which is basic service delivery, repairs and maintenance, and planning ahead for future needs.

The global financial slowdown and more acute problems in Eurozone and US economies continue to affect South Africa and Cape Town, meaning that there is no room for complacency. Major issues such as poverty, urbanisation, housing, mobility, climate change, global warming, crime, and substance abuse continue to present challenges, not only to local government, but to all spheres of government, as well as businesses, communities and individuals. As such, economic development and the creation of job opportunities continue to top the list of urgent needs for our country, cities and communities.

Cape Town remains a remarkable city, with the most incredible natural beauty, places and people – all adding to a rich tapestry of heritage, history and culture that make Cape Town the attraction that it is. The new City government is aligning itself and its staff to effectively serve the 3,7 million people in a metro area of some 2 500 square kilometres by creating a caring, inclusive, well-run, opportunity-rich and safe city.

The accolades and awards garnered by the City confirm that it is on the right track, among them eight successive clean audits, a 97% account collection rate, blue and green drop awards for water quality, blue flag status for several prime beaches, and an internal survey that shows high levels of staff commitment.

International recognition has also come Cape Town's way recently with the city being declared the World Design Capital for 2014. The announcement confirmed the relevance of the City's approach of using design to make Cape Town an even better place to live. Design thinking looks beyond the architecture, engineering and construction of infrastructure and public amenities to understand how these aspects can truly work for the city's people in a functional, sustainable and multi-use way.

As an administration, the City of Cape Town recognises that inspiration coupled with hard work will keep Cape Town at the forefront of South African and global progress. While this requires a clear, long-term vision, it also demands a focus on continued improvement in every area of administration – from service delivery and infrastructure to good governance and economic and investment growth.

All of which, I trust, you will find highlighted in this annual report.



Achmat Ebrahim  
City Manager





OVERVIEW OF THE CITY OF CAPE TOWN

# We created 13 145 job opportunities through the Expanded Public Works Programme

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## Overview of the City of Cape Town

As the oldest city in South Africa, with the second-highest population, Cape Town is also the legislative capital of the country and the administrative and economic centre of the Western Cape. The city is the third-biggest economic hub in Africa, the most visited tourist destination on the continent, and a vital driver of economic growth.

With an estimated annual growth rate of 3%, the city's population is both a positive source of diversity and a significant challenge to its effective management. By 2031 Cape Town's population is projected to grow to at least 4,3 million from its current estimated figure of 3,7 million people.

### **A CITY WITH VISION**

The vision of the City of Cape Town is threefold:

- To be a prosperous city that creates an enabling environment for shared economic growth and development
- To achieve effective and equitable service delivery
- To serve the citizens of Cape Town as a well-governed and effectively run administration

To achieve this vision, the City strives at all times to:

- contribute actively to the development of Cape Town's environmental, human and social capital;
- offer high-quality services to all who live in, do business in or visit Cape Town as tourists; and
- be known for its efficient, effective and caring government.



It is the City's vision to achieve effective and equitable service delivery.

## ACHIEVING THE VISION THROUGH AN INTEGRATED APPROACH

The City of Cape Town is committed to ensuring that residents of, and visitors to, Cape Town enjoy the best possible services, facilities and opportunities, delivered in a way that improves their overall quality of life. It strives to achieve this vision via a number of specific priorities and objectives that are outlined in the City's Integrated Development Plan (IDP). This five-year plan is the City's strategic guideline, and informs all planning, management, development and service delivery actions.

The IDP is divided into the following eight strategic focus areas (SFAs):

1. Shared economic growth and development
2. Sustainable urban infrastructure and services
3. Energy efficiency for a sustainable future
4. Public transport systems
5. Integrated human settlements
6. Safety and security
7. Health, social and community development
8. Good governance and regulatory reform

Each of these focus areas is further broken down into objectives and deliverables, for which various directorates within the City are responsible.

This 2011 annual report offers an overview of the City's achievements and continued challenges in terms of meeting the strategic objectives set out in the IDP. However, while this report is structured in line with the eight SFAs of the IDP, it is important to understand that the City's approach to achieving these objectives is highly integrated and cooperative.

## INTEGRATED REPORTING

The fact that the City of Cape Town follows a highly integrated approach to the achievement of its objectives, as set out in the eight SFAs, should naturally be reflected in an integrated approach to meeting its reporting requirements. This 2011 annual report, therefore, represents the City's effort consciously to integrate reporting on material sustainability issues with its performance reporting for the period under review. This is in keeping with the City's commitment to implementing the requirements and recommendations of the King III report, which sets out international best practice in terms of governance for private and public organisations, including a recommendation that these organisations undertake integrated reporting. To this end, the City's integrated reporting approach will be further entrenched and refined in future annual reports.

In order to achieve the desired level of integrated reporting, the following material sustainability issues are covered in this 2011 annual report:

- Efforts to mitigate carbon emissions and help address climate change
- Efficient water supply, use and management
- Efficient energy supply, use and management
- Effective waste management
- Economic sustainability through financial prudence
- Achievement of environmental sustainability and biodiversity objectives
- Sustainable land use and development
- Customer communication and satisfaction measurement
- Sustainable procurement
- Infrastructure maintenance and development
- Transformation, diversity and talent management

# Overview of the City of Cape Town

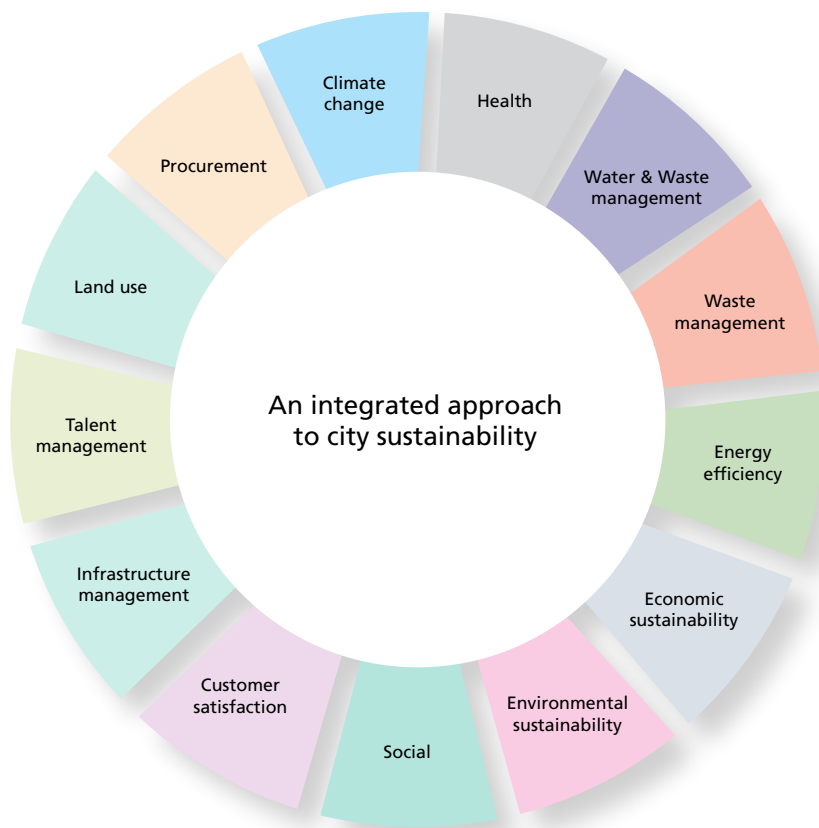


Figure 1: Sustainability issues covered in this 2011 annual report

While these sustainability issues have been addressed in previous annual reports, this report provides more specific detail on their progress and implementation challenges.

Where such sustainability and efficient resource management information is included in the report, this is indicated by means of the following sustainability icon:





Cape Town, the third-biggest economic hub in Africa, the most visited tourist destination on the continent, and a vital driver of economic growth.

## A PLAN FOR THE FUTURE

The Cape Town Spatial Development Framework (CTSDF) was endorsed by Council on 30 March 2011, and is being submitted to the Western Cape Provincial Government (hereinafter "Province") for approval in terms of the Land Use Planning Ordinance (LUPO) (provincial planning legislation).

Key focus areas of the CTSDF include managing growth and land use changes in the city, and ensuring that urban growth happens in a sustainable, integrated and equitable manner. The framework provides a broad, long-term spatial concept, key spatial strategies, and supporting policies for issues such as economic development, transport, urban growth management, land use integration, sustainable neighbourhoods and the protection of heritage assets.

Integrated, draft, district-level spatial development plans (SDPs), which include environmental management frameworks (EMFs), have been prepared for Cape Town's eight planning districts, in line with and informed by the CTSDF. These plans will replace outdated regional plans, and are due for completion mid-2012. On completion, the CTSDF and the SDPs will inform the preparation of the annual IDP review as well as the development of future IDPs.

The plans and policies of the CTSDF will, among other things:

- indicate the areas that are best suited to urban development, the areas that should be protected, and the areas where development may occur if it is sensitively managed;
- provide investors with a clear idea of where they should invest;
- guide public investment in infrastructure and social facilities;
- be used to assess development applications submitted by property developers; and
- guide changes in land use rights.

# Overview of the City of Cape Town

## Strategies for sustainability



The CTSDF is fundamental to the City's achievement of its sustainability objectives. To this end, a clearly defined set of strategies and substrategies underpin the CTSDF, and are supported by policies to guide day-to-day decision-making, while providing a framework for more detailed policy formulation in terms of local area development and, more specifically, spatial planning and land use management. The important role of the CTSDF in enabling the City to deliver on its sustainability aspirations is evident from the nature of its strategies and substrategies, as outlined in the table below:

Table 1: Cape Town Spatial Development Framework strategies and substrategies

CTSDF strategy	Substrategies
Plan for employment, and improve access to economic opportunities	<ul style="list-style-type: none"> <li>• Promote inclusive, shared economic growth and development</li> <li>• Address spatial economic imbalances</li> <li>• Establish an integrated, citywide public transport system that supports the accessibility grid</li> <li>• Integrate land use, economic and transport planning</li> <li>• Support the rationalisation, upgrade and/or development of economic gateways, and appropriately manage land use around them</li> </ul>
Manage sustainable urban growth, and create a balance between urban development and environmental protection	<ul style="list-style-type: none"> <li>• Facilitate the development of areas suited to urban development</li> <li>• Appropriately protect the citizens of Cape Town from hazardous areas/activities</li> <li>• Appropriately manage urban development impacts on natural resources, critical biodiversity areas and natural corridors</li> <li>• Contain the development footprint of the city, and protect natural, rural, urban and heritage assets with development edges</li> <li>• Encourage a more compact form of development</li> <li>• Support incremental development processes</li> <li>• Make efficient use of non-renewable resources</li> <li>• Protect and enhance the city's rural environment</li> </ul>
Build an inclusive, integrated, vibrant city	<ul style="list-style-type: none"> <li>• Transform the apartheid city</li> <li>• Proactively support publicly-led land reform and new housing delivery</li> <li>• Encourage integrated settlement patterns</li> <li>• Ensure adequate and equitable provision of social facilities, public institutions and recreational spaces</li> <li>• Enhance the quality of Cape Town's built form</li> <li>• Enhance the value of heritage resources and scenic routes</li> <li>• Promote accessible, citywide destination places</li> </ul>

For more detail on the CTSDF, please visit [www.capetown.gov.za/en/SDF](http://www.capetown.gov.za/en/SDF).



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## Overview of the City of Cape Town

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A single, standardised zoning scheme for Cape Town will ensure equal opportunities for all property owners and residents.

### **A single zoning scheme for Cape Town**

The City endorsed a single Cape Town Zoning Scheme (CTZS) in December 2010 to replace the existing dated and ineffective 27-zone scheme. This unified zoning scheme will introduce new zoning tools and mechanisms to make land use control more effective and to streamline administrative procedures. Mechanisms are also included to link the policy environment (such as SDPs) with the regulatory environment. This single zoning scheme will ensure equal opportunities for all property owners and residents, and will replace the last remnants of apartheid planning legislation. The CTZS has been submitted to the relevant provincial minister for approval.

The purpose of a zoning scheme is to determine land use rights and provide for controls over such land use rights. Each property in the city will therefore be allocated to one of the following base zones:



Table 2: Base zones in the Cape Town Zoning Scheme

Base zoning category	Base zone	Purpose
Single residential (SR)	SR1: Conventional housing	Provides predominantly for single-family dwellings
	SR2: Incremental housing	Provides for the upgrade of an informal settlement to a formal settlement through incremental housing processes
General residential (GR)	GR1: Group housing	Medium-density residential development where group housing is encouraged
	GR2 to 6: Subzones	Higher-density residential development that includes blocks of flats Different development rules apply to different subzones
Community (CO)	CO1: Local	To provide for local community facilities
	CO2: Regional	To provide for the full range of community facilities. This can be local and regional in nature
Local business (LB)	LB1: Intermediate business	Provides a buffer or interface between general business and lesser-intensity zones
	LB2: Local business	Provides for low-intensity commercial and mixed-use development to serve local needs
General business and mixed-use (GB and MU)	GB1 to 7: Subzones	Provides for general business and mixed use of medium to high intensity. Different development rules apply to different subzones
	MU1 to 3: Subzones	Provides a mixture of business, industrial and residential development. Different development rules apply to different subzones
Industrial (GI and RI)	GI1 and 2: General industry subzones	Provides for all industries, except noxious. Different development rules apply to different subzones
	RI: Risk industry	Provides for industries that are noxious and carry a high risk
Utility and transport (UT and TR)	UT: Utility zone	Provides for utility services such as electrical substations and water reservoirs
	TR1: Transport use	Provides for transportation systems and transport undertakings that serve the public
	TR2: Public road and public parking	Provides for public streets and roads
	NPZ: National port zone	This is a new zone and has been included to give effect, through the zoning scheme, to the land use and control of land use within a national port
Open space (OS)	OS1: Environmental conservation	Provides for the conservation of environmental resources
	OS2: Public open space	Provides for active and passive recreational areas on public land
	OS3: Special open space	Provides for special reserved open spaces, such as a golf course on a golf estate
Agricultural, rural and limited-use (AG, RU and LU)	AG: Agricultural zone	Provides for and protects agriculture on farms
	RU: Rural zone	Provides for smaller rural properties that may be used for agriculture and occupied as places of residence for people seeking a country lifestyle
	LU: Limited-use zone	Provides for a transitional mechanism to deal with land that was zoned as undetermined

These base zones may also be affected by an overlay zone, which could either restrict the use of land or provide for additional rights to give effect to specific guidelines contained in spatial development frameworks or policy plans.

For more detail on the new CTZS, visit [www.capetown.gov.za](http://www.capetown.gov.za).



REVIEW OF THE 2010/11 FINANCIAL YEAR

# Cape Town once again world's top travel destination

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# Shared economic growth and development

## What we set out to do:

- Create an enabling environment for the economy to grow and become globally competitive

## What we achieved in 2010/11:

- Created 13 145 job opportunities through the Expanded Public Works Programme (EPWP)
- Finalised 85% of land use management applications within statutory timeframes
- Finalised 60% of building development management applications within statutory timeframes

SFA 01



The City set out to create an enabling environment for the economy to grow and become globally competitive.



**SUSTAINABILITY THROUGH EMPLOYMENT**



Facilitating local economic development (LED) is an important part of the City's job creation objective, which includes a range of projects and programmes, such as the urban agriculture programme; small, medium and micro-sized enterprise (SMME) business support, and prioritising skills development based on local requirements. The number of employment opportunities could be increased in the longer term through the promotion of entrepreneurship and incentives for import and export activities. These, therefore, form part of the City's strategic plans aimed at alleviating unemployment in the city.

Addressing the skills mismatch, i.e. the imbalance between the qualifications required by the economy and the limited number of employees with those qualifications, is an important consideration. This issue is exacerbated by the growth of the knowledge economy, and requires a coordinated and integrated plan involving the City, Province and Cape Town-based academic institutions. If Cape Town is to blaze a trail as a knowledge and innovation centre, the city needs the backing of a workforce that is prepared for an ever-growing services sector and a high-technology workplace.

**CONTRIBUTING TO THE REDUCTION OF UNEMPLOYMENT**

The City continues to participate actively in the national Expanded Public Works Programme (EPWP), and created 13 145 jobs as part of this programme during the year under review. Measures are currently being introduced to improve this performance even further. These include finalising the EPWP policy, which will further institutionalise the EPWP in the City and create a greater focus on labour-intensive methodologies, and identifying major projects for EPWP implementation.

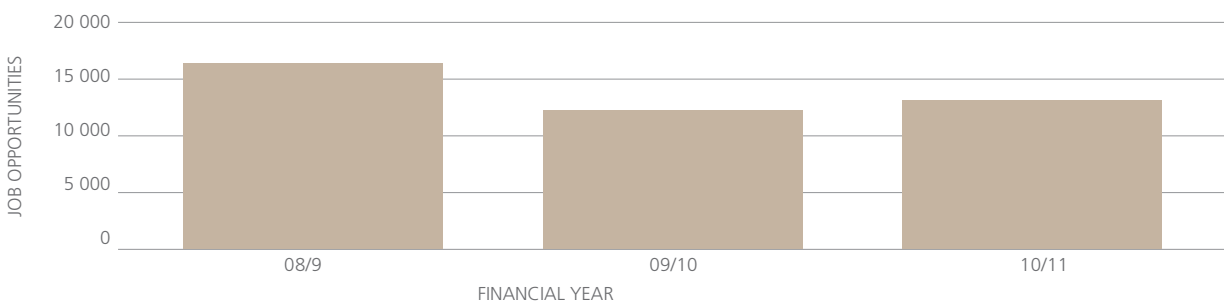


Figure 2: Job opportunities created through the Expanded Public Works Programme

**>01 City's employment commitment recognised**

The City of Cape Town's commitment to employment creation earned it two prestigious accolades at the Kamoso Excellence Awards ceremony hosted by the Department of Public Works on 7 March 2011. The City took top honours in two of the four categories in the Environment and Culture sector, winning the award for Best Municipal and District Project and Best Innovative Project. In the first category, the City recorded 64 job-creation projects in departments such as Environmental Planning, City Parks, Sport and Recreation, and Solid Waste. This was the highest score of all municipalities, and resulted in the creation of 1 618 jobs. The City's project to retrofit 320 houses in Mamre with insulated ceilings was voted most innovative. The annual Kamoso Awards recognise municipalities' contributions to the national Expanded Public Works Programme (EPWP).

# Review of the 2010/11 financial year

## ENCOURAGING DEVELOPMENT

The City remains committed to encouraging and enabling Cape Town's development, and many of the development application processes have been revised and streamlined. In line with this commitment, the City sets itself desired statutory timeframes for the processing of land use and building plan applications. In the 2010/11 financial year:

- 85% of land use applications received were finalised within the timeframes agreed by the City (5% above target); and
- 60% of building development applications were finalised within the agreed timeframes. This is 10% below target due to an application backlog and remaining bottlenecks in the processing system. These issues are being addressed.

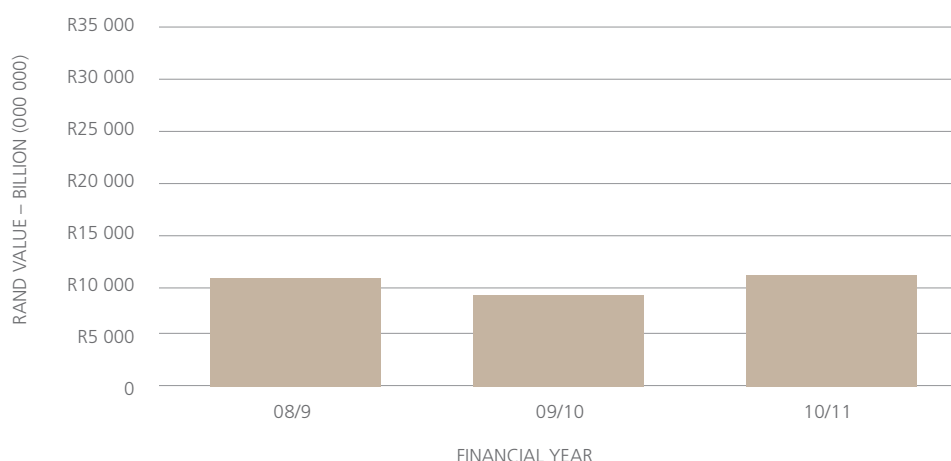


Figure 3: Value of building plans approved by the City of Cape Town

## PUTTING ENTREPRENEURSHIP TO WORK

The City of Cape Town has embarked on a long-term strategy known as Cape Town Activa to develop a so-called "ecosystem" for the promotion of entrepreneurship. The strategy draws on the success achieved by other cities that have become competitive entrepreneurial centres, and seeks to ensure that all organisations and groups in Cape Town that can contribute to vibrant and dynamic entrepreneurial growth have access to shared information and tools, while promoting a spirit of cooperation in order to encourage development that benefits all.

As part of the strategy, the City has signed a strategic partnership agreement with Barcelona, which shares numerous economic, geographic and social features with Cape Town. The Barcelona Activa model has become an international benchmark in entrepreneurial support, innovation, professional improvement and job creation.

## TOURISM AND SUSTAINABILITY

When it comes to tourism, Cape Town's economic value has increased significantly in recent years. Cape Town continues to be a preferred destination for tourists and investors, as well as a competitive choice for international and national events. However, international arrivals to Cape Town International Airport have declined recently, reflecting the impact of the global economic downturn on long-haul flights. Although Cape Town's natural environment and resources are cornerstones of future economic wealth, sustainable development rather than a "business-as-usual" approach is needed to continue to attract both tourists and investors to the city. Positioning Cape Town as a global "green city" is likely to promote tourism and ecotourism even further, as well as make the city an attractive foreign investment destination.



## CREATING A GLOBAL TOURISM HUB

During the period under review, funding was secured for the long-awaited expansion of Cape Town International Convention Centre (CTICC), which is one of the City's two major assets. The expansion of the centre will create a new conventions precinct, which will include 10 000 m<sup>2</sup> of retail space, a hospital, an office tower, numerous basement

parking bays, as well as the regeneration of Founders Garden by the Province, which will connect the Artscape precinct with the new, larger CTICC. Combined with other urban regeneration projects planned for the central business district, the CTICC expansion is set to boost Cape Town's reputation as a globally competitive business destination, and will contribute to economic growth through driving job creation in the city and the province as a whole.

## >02 Cape Town is tops ... again!



Cape Town was once again named the world's top travel destination in the TripAdvisor 2011 Travellers' Choice Destination Awards, beating international competitors like London and New York to the prize. TripAdvisor is the world's largest travel site, and the awards are based on millions of unbiased opinions posted by TripAdvisor travellers. Cape Town was also rated as one of the world's top 20 cities in the Condé Naste Traveller Readers' Travel Awards; one of the top 25 places to visit by TripAdvisor; one of the planet's most beautiful cities by Forbes.com, and best holiday destination in a *Heat* magazine reader survey.



# Sustainable urban infrastructure and services

## What we set out to do:

- Provide access to basic services
- Conserve natural resources
- Effectively manage the City's infrastructure and resources

## What we achieved in 2010/11:

- 574 189 formal domestic customers and 13 927 commercial customers receiving sewerage services
- 4 734 toilets installed for informal settlement customers
- 585 117 formal domestic customers and 14 658 commercial customers receiving water services
- 562 440 electricity meters serving domestic customers and 30 809 serving commercial customers
- 1 324 additional subsidised electricity connections installed
- 622 278 formal domestic customers receiving a kerbside refuse collection service
- 193 951 informal settlement dwellings receiving a door-to-door refuse collection and area cleaning service
- Achieved a reduction in the percentage unaccounted-for water, from 26,6% to 22,2%
- Installed 511 taps for informal settlements
- Achieved a 27,6% reduction in unconstrained water demand
- Diverted 8,67% of solid waste from City landfills through City waste management initiatives
- Achieved 99% compliance with SANS 241 drinking-water requirements
- Spent R1,712 billion on infrastructure repairs and maintenance
- Reduced the number of electricity outages
- Achieved 10,3% reduction below projected unconstrained electricity consumption over a three-year period

SFA 02



Cape Town needs to strike a sustainable balance between environmental protection and the ongoing economic and social development needs of its growing population.

## MANAGING CITY ASSETS FOR A SUSTAINABLE FUTURE



The creation of integrated asset management plans (IAMPs) is a requirement of both National Treasury and the Department of Cooperative Governance and Traditional Affairs. In some cases, such as for electricity, water and sanitation services, and solid waste management, it is also a requirement of the sector departments. The primary goal of these IAMPs is to manage the condition of municipal assets effectively and to optimise the application of funds and resources through accurate management information that can inform decisions regarding the acquisition, repair, maintenance and retirement of assets.

In 2008, the City of Cape Town initiated an Infrastructure Asset Management Project with a particular focus on electricity services, water and sanitation, and solid waste management infrastructure. The first phase of the project concluded in February 2010. The various departments involved continued capturing relevant data pertaining to the various City assets, and completed the first-stage IAMPs in June 2011.

This information has now been used to inform the City's IAMP, and all Utility Services departments have prepared and formalised first-stage asset management plans (including replacement planning). Based on this information and the experience gained, it has been proposed that the asset management project be extended to key City departments where asset costs are high and a formalised asset management approach would be beneficial, including the departments of:

- Housing (for rental stock);
- Corporate Services (fleet and facilities management);
- Property Management; and
- Community Services (Sport and recreation).

While this is a long-term process, progress is being made, and proposals have been formulated for a draft asset management strategy and roll-out plan with supporting policies, which should result in the generation and completion of IAMPs for all relevant City departments. A Mayoral Committee strategic working group has also been formed to develop principles for finalising the strategy and infrastructure maintenance and development planning within the City's Medium-term Revenue and Expenditure Framework and linked to the development priorities of the City Development Strategy and the Economic Development Strategy.



# Review of the 2010/11 financial year

## ELECTRICITY

The City of Cape Town is the service authority for the Cape metropolitan region, and the service providers are both the City of Cape Town's Electricity Services Department and Eskom.

As the service authority, the City is responsible for the following services:

- Reticulation
- Free basic electricity
- Public lighting
- Energy policies



Figure 4: Electricity supply to the Cape metropolitan region



Figure 5: Service areas and districts in the Cape Town electricity supply area

### An overview of electricity in the city

The Cape Town supply area is divided into three distribution or service areas, each of which is serviced by four districts, as shown in the figure above on the right. Each district is responsible for the maintenance and safe operation of the electricity services network as well as new customer connections in its area.

Historical data forecasts show that energy consumption in Cape Town is likely to continue to grow at a constant 3%. However, there has been a clear indication of reduced energy consumption in recent years, with close to zero per cent actual growth in consumption since 2007/8. The economic downturn of 2008 and 2009 and its continued impact in subsequent years have also contributed to reduced growth in electricity demand. That said, while demand-side measures will continue to help slow the rate of growth in demand, the demand for electricity will likely continue to grow as the city develops.

Electricity service availability and access backlogs are primarily a problem in informal settlements, and these are currently being addressed by the Electricity Services Department and Eskom's electrification programmes.

Eskom will only electrify housing with funding from the National Department of Minerals and Energy, which, until recently, was allocated to formally proclaimed townships only. After a recent change to the Department's policy, Eskom has now also begun electrifying those informal areas that comply with the City's electrification policy. The electricity supplier has set itself a target to complete 2 838 connections in 2011/12. The City is committed to working closely with the national power provider to ensure the successful completion of electrification programmes.

The establishment of new housing developments normally includes the provision of electricity infrastructure. In the case of housing developments that consist of dwellings for which the beneficiaries are eligible for government housing subsidies, the City provides the electricity supply at a greatly subsidised rate. The Department of Minerals and Energy partly funds the electrification projects through external grant funding, with the remainder of the funds being sourced internally by the City's Electricity Department. In this way, the City achieves a 100% electrification rate for formal housing developments.

Some informal settlements experience service connection backlogs, while there is also a backlog of electricity provision to backyard dwellers in formal areas. Certain informal areas are excluded from the electrification programme if the dwellings are situated:

- below the 50-year floodline;
- on unsuitable land, such as landfill sites;
- in road, rail or power line reserves; or
- on private property.

In the coming years, the City will focus on upgrading and refurbishing existing substations, underground cables and overhead power lines across the Cape metro area as part of the network development programme. Continued investment is required to ensure that quality, adequacy and reliability of supply are achieved and maintained.

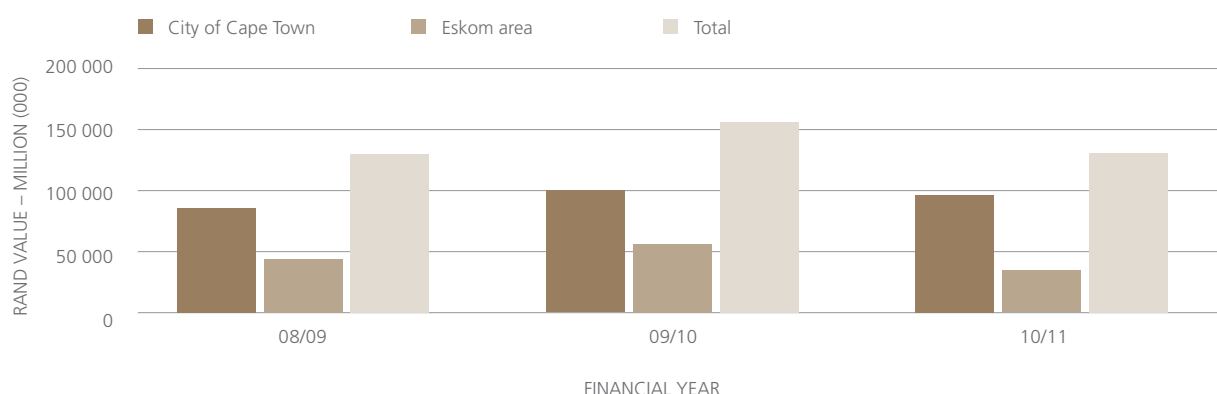


Figure 6: The provision of free electricity services to Cape Town citizens

### Making the switch

The Electricity Services Department's Public Lighting Section continued with its planned conversion of mercury-vapour lamps to the more environmentally friendly high-pressure sodium lamps. The new lamps will not only reduce energy consumption, but will also provide more powerful illumination, which will enhance safety in the areas where they are installed.

### Lightening the load

A shortage of technical skills has prompted the reintroduction of apprenticeship training to targeted engineering areas. The first and second phases of the project have been successfully concluded, and the third phase commenced in February 2011, with trade testing set to take place in April 2012. A learnership technician training programme has also been established, and a graduate internship programme commenced in 2011.

### Network infrastructure and development

Within the geographic area of Cape Town, a significant backlog exists in terms of the refurbishment and maintenance of electricity infrastructure. The National Energy Regulator of South Africa (NERSA) has estimated the value of the backlog at R1,6 billion, and it is planned that this will be addressed in the longer term by means of an annual budget allocation of 5% of the total assets value. Included in this backlog is an estimated R326 million for electrification, which will be financed through internally generated funds and external loans.

## Review of the 2010/11 financial year

The City's **capital budget spend** on electricity services during the last three years, and planned budget for the next three years, are as follows:

Table 3: City of Cape Town's past and planned capital budget spend on electricity services

	Capital spend during the last three years			Planned capital budget for the next three years		
	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000
Infrastructure: Growth	254 346	317 207	375 911	505 055	478 021	511 696
Infrastructure: Refurbishment	103 946	138 068	152 723	305 763	222 551	152 382
Electrification	40 158	46 208	63 922	72 286	62 544	675 44
Facilities: Vehicles, Equipment	99 131	165 151	112 200	138 789	105 034	136 721
<b>Total</b>	<b>497 581</b>	<b>666 634</b>	<b>704 756</b>	<b>1 021 893</b>	<b>868 150</b>	<b>868 343</b>

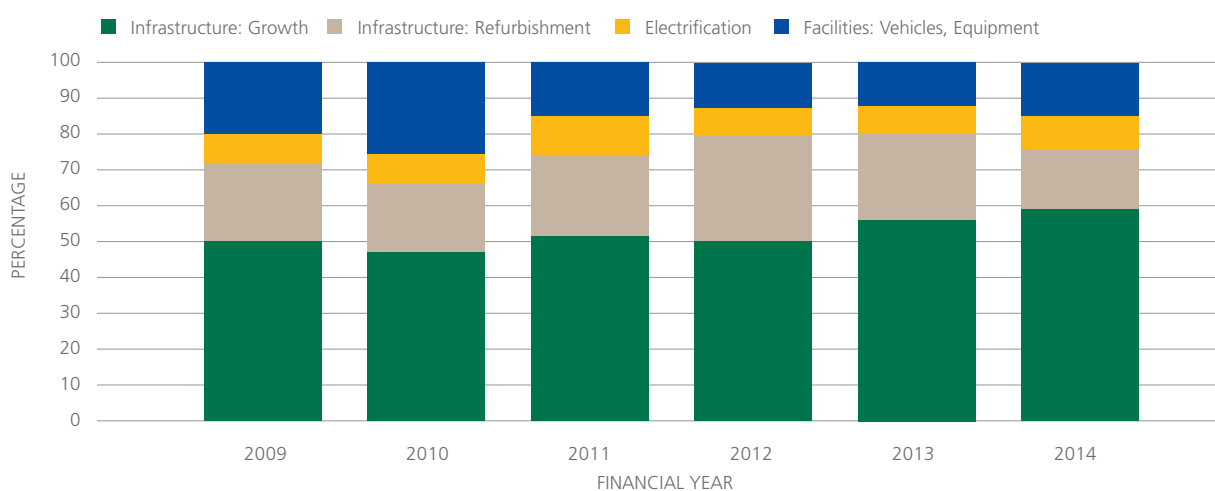


Figure 7: City of Cape Town's past and planned capital budget spend on electricity services

The City's **operating budget spend** on electricity services during the last three years, and planned budget for the next three years, are as follows:

Table 4: City of Cape Town's past and planned operating budget spend on electricity services

	Operating budget spend during the last three years			Planned budget for the next three years		
	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000
<b>Electricity</b>						
Staff costs	438 347	537 669	569 086	681 103	762 638	836 491
Bulk services	2 624 556	3 392 122	4 326 840	5 468 200	6 998 567	8 797 982
Contracted services	60 267	107 487	121 802	119 184	127 730	137 303
Other	476 291	547 206	591 124	885 794	943 273	1 119 828
<b>Total primary cost</b>	<b>3 599 461</b>	<b>4 584 484</b>	<b>5 608 852</b>	<b>7 154 281</b>	<b>8 832 208</b>	<b>10 891 604</b>
Secondary cost	705 726	1 151 386	1 094 607	1 271 947	1 488 116	1 773 207
<b>Total primary and secondary cost</b>	<b>4 305 187</b>	<b>5 735 870</b>	<b>6 703 459</b>	<b>8 426 228</b>	<b>10 320 324</b>	<b>12 664 811</b>
<b>Repairs and maintenance</b>	<b>270 248</b>	<b>308 297</b>	<b>329 970</b>	<b>279 978</b>	<b>303 329</b>	<b>328 336</b>



The refurbishing and maintenance of electricity infrastructure will continue.



A shortage of technical skills has prompted the reintroduction of apprenticeship training.

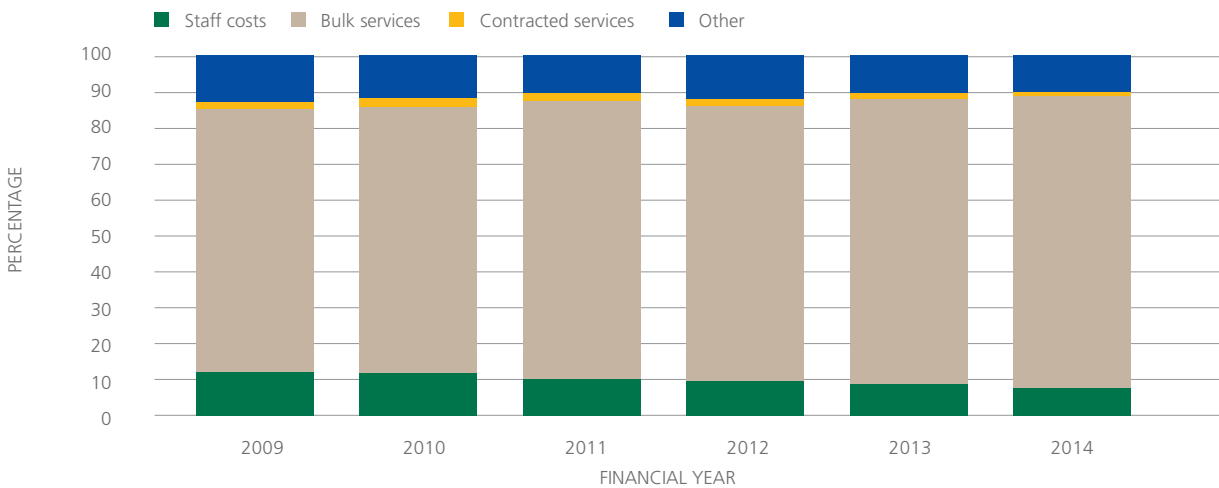


Figure 8: City of Cape Town's past and planned operating budget spend on electricity services

**A focus on customer service**

The City's call centre optimisation project has established a single telephone number – that of the Electricity Technical Operations Centre – to which residents' electricity fault and power outage complaints are now directed. The "Minimum Standards and Reporting Lines for the Quality of Service of Electricity Supply to Customers" were published as a standard document, namely the NRS 047 Part 1 and Part 2. These specifications cover a number of services, including customer-driven complaints, enquiries, requests, quotations and forums. The standard response times and satisfaction indices for counter services, telephonic replies and written replies are stipulated in these documents.



A free basic water service is provided to poorer members of the Cape Town community.

### **WATER AND WASTEWATER SERVICES**

The water resources to meet the urban and agricultural needs of Cape Town and surrounding areas are supplied from the Western Cape water supply system (WCWSS), which comprises six major dams – three of which are owned by the Department of Water Affairs – raw water storage systems and conveyance infrastructure. In addition, the City owns a number of smaller dams, and operates a treated-effluent groundwater recharge system in Atlantis. These supplement the main water resources of the City's water supply system. The various components of the WCWSS are owned and operated by the City of Cape Town, the Department of Water Affairs (DWA) and Eskom, all of whom work together to operate the WCWSS in an integrated manner so as to maximise the current and future storage of water.

The annual yield of the WCWSS, including the recently completed Berg River scheme, is 556 million kℓ per annum. 399 million kℓ of this total yield is allocated to Cape Town every year. The City obtains 74% of its total water allocation from DWA-owned sources, with the balance coming from City-owned sources. During the 2010/11 financial year, the City produced 336 644 169 kℓ of potable water. The major raw water supply schemes of the WCWSS are the Riviersonderend, Voëlvele and Berg River schemes owned and operated by the DWA, and the Wemmershoek and Steenbras schemes owned and operated by the City of Cape Town. The total storage capacity of the six major dams is 898 300 million kℓ, which constitutes 84,4% of the Western Cape's total storage capacity.

### **Cape Town's water supply system**

The City's water supply infrastructure includes:

- 11 dams (owned by the City) and three dams owned by DWA;
- 12 water supply treatment works with a capacity of 1 610 Mℓ/day;
- 605 km of bulk water conveyance pipes;
- 10 400 km of reticulation water pipes;
- 108 water pump stations; and
- 174 bulk and distribution reservoirs.



### Quality of water

The City of Cape Town continues to achieve and deliver high-quality water through effective management of the whole value chain of the water supply system, which includes raw water sources and catchment areas, treatment processes, operations, maintenance, and quality testing in accordance with SANS 241. In 2010/11, the City achieved an overall municipal Blue Drop score of 97,61%, second only to Rand Water/Johannesburg Water. The City continues to improve its capacity to conduct a variety of biological, physical and chemical tests of potable water and wastewater by investing in new testing equipment with advanced technology.

### Risk management

The City's Water and Sanitation Department has identified, and is actively managing, seven major risks to its ability to provide an efficient, effective and sustainable service to Cape Town residents. These risks are as follows:

- **Risk of insecure water supply**  
This is being managed by planning and developing additional diversified water resources.
- **Risk of inability to meet sanitation demands**  
This risk is being managed by expanding the wastewater infrastructure capacity and extending services to informal settlements and newly developed areas. A five-year Informal Settlements Improvement Plan for the provision of sanitation and water was developed during the 2010/11 financial year.
- **Risk of poor-quality services to customers**  
This is being managed by process improvements, employing new technology, improving response times to complaints, driving a culture change among staff members, and improving communication with consumers.
- **Pollution risk**  
Reduction in the pollution of receiving waters by treated effluent is being achieved through the upgrade and rehabilitation of wastewater plants and replacement of ageing sewerage networks.
- **Human resources capacity risk**  
This risk is being managed through a talent management programme that has been adopted by the City.
- **Business financial risk**  
This risk is mitigated via cash flow budgeting, reduction in water losses, cost-effective investments in water and sanitation infrastructure, improved metering and billing efficiencies, and a reduction in redundancy costs.

### Wastewater infrastructure

The City's wastewater infrastructure consists of:

- 24 wastewater treatment works and three outfalls (total capacity of 758 Mℓ/day);
- five effluent reclamation works;
- 8 541 km sewer reticulation network; and
- 381 sewer pump stations.

Due to the challenges experienced in achieving the required standards of compliance of treated-effluent discharge in a number of treatment works, including Athlone, Bellville and Kraaifontein, the City has developed, and is implementing, a 10-year wastewater upgrade, expansion and rehabilitation plan. The upgrades that form part of this plan are intended to improve the treatment capacity and deficiencies in design, such as the lack of disinfection facilities.

The City has also embarked on a sewer pipe replacement programme that will reduce stormwater ingress into the sewers, thereby unlocking additional treatment capacity. A new treatment plant (Fisantekraal) was completed in the 2010/11 financial year, and will allow for the diversion of wastewater from the Kraaifontein and Bellville treatment works, thereby easing the capacity challenges they face. For the 2011/12 financial year, various projects are planned with the aim of increasing treatment capacity, improving processes and raising levels of effluent quality.

# Review of the 2010/11 financial year

## Reducing water demand and wastage

A key City priority is the funding of water demand strategies (WDSs) to enable planned programmes to be implemented in order to reduce the demand for, and wastage of, water across Cape Town. The main programmes and projects in this regard are:

- the water leaks repair programme;
- the pressure management programme;
- the roll-out of water management devices;
- the treated-effluent reuse programme;
- continued education and awareness;
- the water pipe replacement programme;
- water audits;
- improving response times to bursts; and
- the use of reclaimed water to substitute potable water.

To eradicate the sanitation backlog and serve the influx of people in informal settlements, the City is continuing with the implementation of the service provision programme in the 2011/12 financial year. The programme includes the ongoing replacement of 40 km of piping on water networks and 20 km on sewerage networks, at an average cost of R1 million/km.

## Infrastructure maintenance



The City's existing water services infrastructure continues to deteriorate due to a lack of sufficient funding for essential maintenance and/or replacement of ageing assets. To this end, the Water and Sanitation Department is developing an asset management strategy and asset management plans for each of its functional service branches (i.e. Reticulation, Bulk Water and Wastewater). Historically, maintenance of infrastructure has been mostly reactive, which has resulted in a backlog of overdue maintenance and replacement projects, especially in the city's growth areas such as:

- the West Coast/Parklands development corridor;
- the De Grendel/N7 development node;
- the northern development/Fisantekraal corridor;
- the Bottelary development corridor;
- fast-track housing projects (e.g. N2 Gateway); and
- the Macassar/AECI development node.

The bulk water systems in the northern areas of the city, and the northwest corridor in particular, are under increasing stress during peak periods due to the rapid population growth in these areas. Further development must be accompanied by infrastructure upgrades and extension. The City is investigating the possibility of seawater desalination as an alternative technology to supply water to these regions.

The City has undertaken an accelerated programme to improve the replacement of water distribution network mains, especially in areas with a high incidence of pipe bursts. An extensive IAMP is also being implemented, which will ensure that:

- a GRAP-compliant asset register is developed and maintained;
- assets are maintained proactively rather than reactively;
- the total asset lifecycle is managed to maximise the lifespan and optimise the lifecycle costs of those assets;
- maintenance work is effectively coordinated; and
- operating downtime is significantly reduced.

The past and projected capital budget spend on the development and maintenance of this extensive infrastructure is outlined below:

Table 5: City of Cape Town's past and planned capital budget spend on water and wastewater infrastructure

	Capital spend during the last three years			Planned budget for the next three years		
	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000
Infrastructure	51 025	82 768	28 184	68 029	65 250	64 431
Main supply infrastructure	176 081	107 708	46 830	112 595	116 138	115 900
Water treatment plants	232 669	193 086	114 657	199 905	202 900	208 250
Reticulation network	140 087	141 883	139 176	177 041	152 673	161 150
Reservoirs	6 781	–	81	9 000	116 800	384 000
Water demand	44 400	8 736	14 369	24 540	12 500	12 500
Other	33 272	36 875	47 569	91 780	101 583	63 113
<b>Total</b>	<b>684 315</b>	<b>571 056</b>	<b>390 866</b>	<b>682 890</b>	<b>767 844</b>	<b>1 009 344</b>

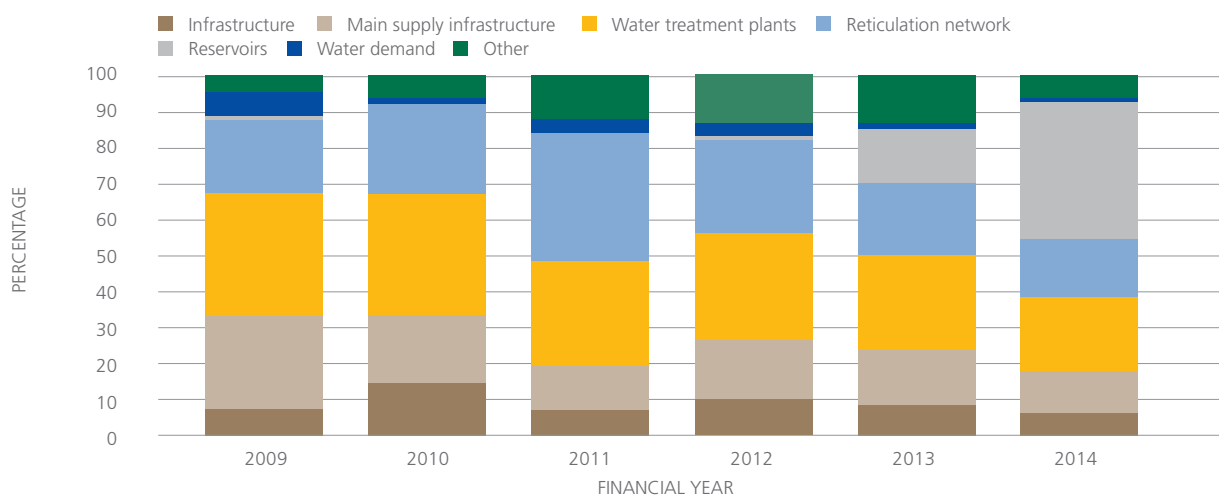
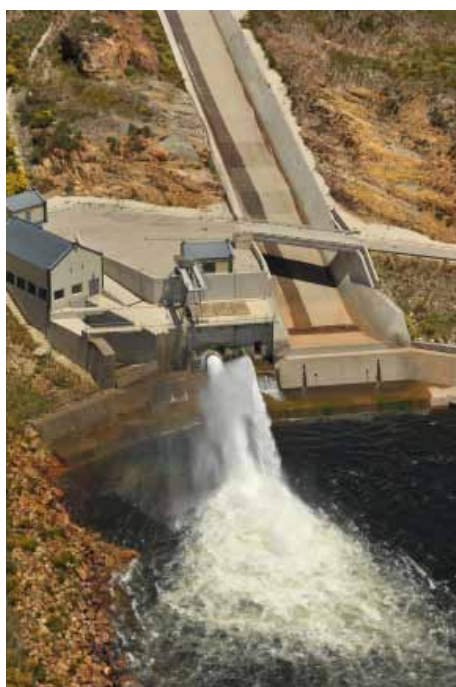


Figure 9: City of Cape Town's past and planned capital budget spend on water and wastewater infrastructure



The City embarked on a pipe replacement programme.

## Review of the 2010/11 financial year



Cape Town's water supply infrastructure includes 11 City-owned dams.

In the long term, the sustainability of the City's water and wastewater services infrastructure will depend on the availability of adequate capital. This capital requirement is projected in the table below:

Table 6: Capital requirement to ensure sustainability of water and wastewater infrastructure

	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000	2019/20 R'000	Total R'000
Bulk water	39 468	150 800	433 731	548 185	592 912	597 890	385 495	288 300	343 108	3 379 889
Reticulation	370 806	322 261	298 850	355 217	394 536	339 110	335 350	339 450	371 250	3 126 830
Wastewater treatment	265 014	224 700	228 650	445 500	364 700	191 900	190 400	239 400	159 900	2 310 164
WDM and WDS	21 889	12 930	12 930	55 715	54 850	59 850	64 850	64 850	69 600	417 464
EAM	70 474	48 153	23 883	44 843	48 627	53 401	58 729	76 763	70 898	495 771
Other	12 536	9 000	11 300	22 384	27 795	20 828	21 195	24 116	24 608	173 762
<b>Total</b>	<b>780 187</b>	<b>767 844</b>	<b>1 009 344</b>	<b>1 471 844</b>	<b>1 483 420</b>	<b>1 262 979</b>	<b>1 056 019</b>	<b>1 032 879</b>	<b>1 039 364</b>	<b>9 903 880</b>
<b>By investment category</b>										
New infrastructure	456 083	507 550	750 631	750 452	777 148	686 640	445 095	444 500	474 108	5 292 207
Replacement infrastructure	216 524	149 311	181 700	606 100	586 800	454 000	478 00	439 500	417 000	3 528 935
New plant	75 270	51 913	32 407	56 123	61 687	58 941	64 741	68 534	75 388	545 004
Water demand	21 840	12 900	12 900	53 615	52 250	57 250	62 250	62 250	67 000	402 255
Other	10 470	46 170	31 706	5 554	5 535	6 148	5 933	18 095	5 868	135 479
<b>Total</b>	<b>780 187</b>	<b>767 844</b>	<b>1 009 344</b>	<b>1 471 844</b>	<b>1 483 420</b>	<b>1 262 979</b>	<b>1 056 019</b>	<b>1 032 879</b>	<b>1 039 364</b>	<b>9 903 880</b>

However, maintaining infrastructure is not enough to ensure efficient water supply. It also has to be effectively operated. The table below shows the **operating budget spend** on providing water services to Cape Town over the past three years, as well as the planned budget for the next three years:

Table 7: City of Cape Town's past and planned operating budget spend on water and wastewater infrastructure

	Operating budget spend during the last three years			Planned budget for the next three years		
	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000
<b>Water and wastewater</b>						
Staff costs	569 375	734 639	788 548	951 803	1 025 532	1 145 316
Bulk services	256 409	244 909	293 325	317 676	367 011	373 576
Chemicals	65 333	82 843	89 299	92 909	96 072	101 260
Contracted services	331 219	386 621	386 597	406 779	454 687	528 639
Other	927 153	752 175	1 104 322	912 805	1 013 214	1 089 635
<b>Total primary cost</b>	<b>2 149 489</b>	<b>2 201 187</b>	<b>2 662 091</b>	<b>2 681 972</b>	<b>2 956 516</b>	<b>3 238 426</b>
Secondary cost	1 377 575	1 654 027	1 879 334	2 106 689	2 244 833	2 391 925
<b>Total primary and secondary cost</b>	<b>3 527 064</b>	<b>3 855 214</b>	<b>4 541 425</b>	<b>4 788 661</b>	<b>5 201 349</b>	<b>5 630 351</b>
<b>Repairs and maintenance</b>	<b>308 175</b>	<b>373 724</b>	<b>356 284</b>	<b>395 926</b>	<b>434 843</b>	<b>490 535</b>

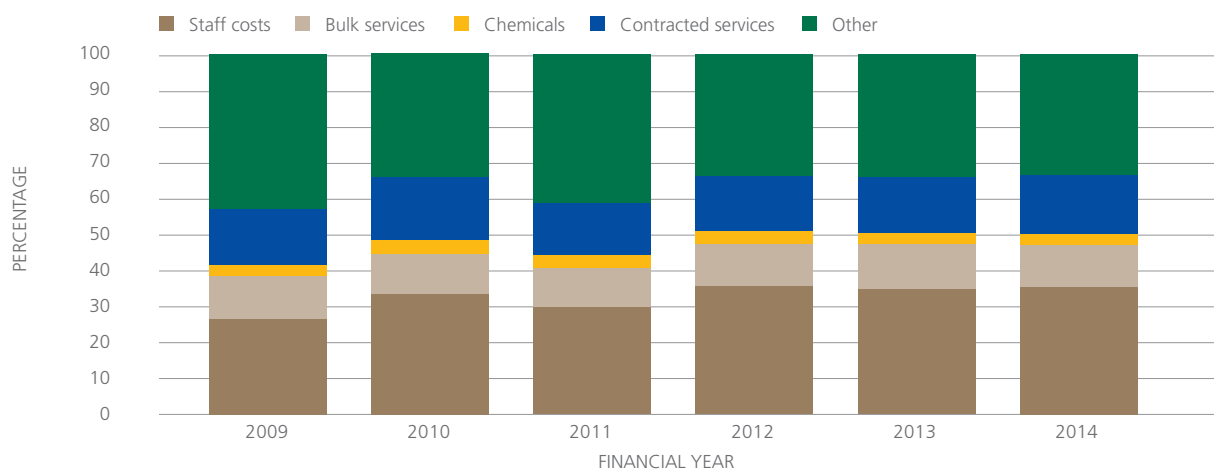


Figure 10: City of Cape Town's past and planned operating budget spend on water and wastewater infrastructure

## Review of the 2010/11 financial year

### Water supply and treatment process flow

The entire water supply and treatment process for Cape Town can be illustrated as follows:

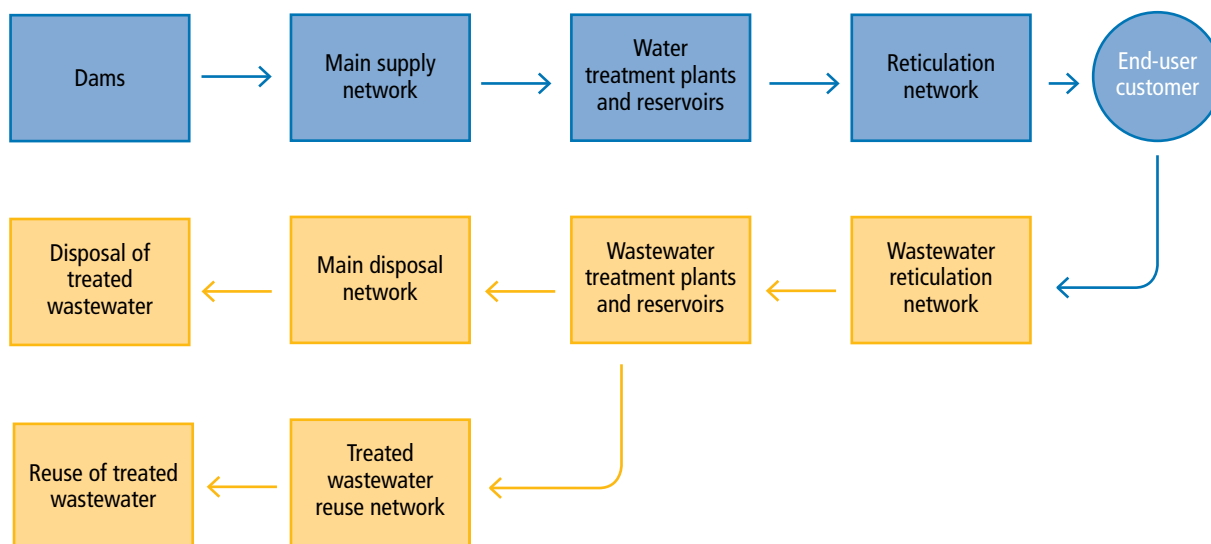


Figure 11: City of Cape Town's water supply and reticulation process

### Ensuring the sustainability of water and waste services



To ensure the long-term sustainability of water and sanitation services, the City has developed an integrated master plan, which has as its primary objectives:

- to balance demand and capacity, with all water and sanitation branches using the same base data, assumptions and design parameters to ensure consistency;
- the alignment of all infrastructure plans;
- the alignment of the City's spatial planning and IDP strategies; and
- the provision of accurate information, based on which capital budgets for future years can be developed.



## > 03 Recognised for effective water management

During the period under review, the City of Cape Town became the first ever recipient of the Southern African Development Community (SADC) water demand management (WDM) award, initiated by SADC as part of its WDM programme. The award recognises the achievements of organisations that have worked towards improving understanding, awareness and implementation of WDM measures. These include changing the behaviour of consumers, implementing water-efficient technologies, introducing efficiency-inducing pricing structures, and reducing leakages in distribution networks. The City's WDM projects that contributed to its achievement include leak repairs, installation of WDM devices and debt write-off, use of treated effluent, pressure management, and awareness and education pertaining to these projects.



Part of the City's water demand management programme includes the installation of water management devices.

# Review of the 2010/11 financial year

## Giving all people access to water

The City set itself a target of installing 200 water access points (taps) in informal settlements during the 2010/11 financial year. This target was significantly exceeded, with 511 taps installed. This means that the City continues to exceed its annual performance requirement for providing informal settlements with access to water. The City's standard is to provide one tap for every 25 residences, which is above national standards.

A free basic water service is also provided to poorer members of the Cape Town population. The first 6 kℓ of water per month and the first 4,2 kℓ of sewage conveyance and treatment per month are provided free of charge to all consumers. In the 2010/11 financial year, the City also offered an indigent grant of R38 per month to cover additional water consumption of 4,5 kℓ per month and the corresponding sewage treatment, which took the form of an account adjustment for qualifying ratepayers. This grant has been increased to R40,50 in 2011/12.

With the implementation of a policy to install water management devices on a prioritised basis, residences defined as indigent now have the means by which to prevent their water consumption from reaching unaffordable levels. These devices are being installed across a range of residences, with more than 9 074 installations having been completed as at 30 June 2011.

## Conserving our city's water

During the 2010/11 financial year, the City managed to reduce its percentage of unaccounted-for water even further, to 22,2%. This is a significant improvement on previous efforts, and well ahead of the target of 26,6%. The success demonstrates the effectiveness of the City's water balance and loss reduction strategy, and reveals that this initiative is having a positive impact on water conservation across the city.

It is critical for the City to ensure efficient use of scarce water resources to meet the growing needs of the population. To this end, the City strives to maximise the use of existing infrastructure to drive the achievement of the objectives set out in its Water Demand Management and Water Conservation Strategy.

All necessary resources are applied to implement WDM interventions. These include:

- the reduction of non-revenue water;
- the reduction of high-pressure, minimum night flow for residential consumers;
- education programmes;
- plumbing leak and meter repair programmes; and
- pipe replacement, effluent reuse, water restrictions and stepped tariffs.

Effective water demand management is a core requirement for the sustainability of water supply to the city. If water consumption is controlled at the levels expected in the Water Demand Management and Water Conservation Strategy, the next water resource scheme may be deferred to approximately 2029.

In the last four years, a number of successful WDM projects have been implemented with a particular focus on reducing non-revenue demand. In addition, the consumer contracts for treated-effluent reuse were rationalised to generate additional income.

## Preparing for a water-constrained future



During the year under review, the City continued laying the groundwork for a far-reaching master plan to explore all viable water supply alternatives for the Cape metropole. Cape Town, its neighbouring municipalities and the agricultural sector in the region are supplied with water from the Western Cape water supply system (WCWSS), a system of dams and pipelines owned and operated by the City and the Department of Water Affairs (DWA). However, sustained low dam levels due to changing rainfall patterns and increased demand point to potential difficulties in supplying the city's growing population with sufficient water in the coming decades. In addition to working to reduce demand, the City is therefore developing its water master plan to ensure that feasible resource schemes can be implemented when required. The plans will be based on the findings of supply studies on feasible alternatives to augment the water supply. These alternatives include a suite of potential resource schemes, like water reuse, desalination of seawater, and greater use of groundwater. At the same time, the DWA is considering a number of surface-water options from rivers to supplement dam inflows.

## > 04 Easing the pressure

Effective pressure management is saving the City of Cape Town millions of rands and millions of kilolitres of water each year. Pressure management involves reducing the pressure of the water supplied to consumers during off-peak periods to reduce water leakage and wastage in the water distribution system. The City's most recent pressure management project in Brown's Farm, Philippi, resulted in an immediate drop in the average consumption, minimum night flow and peak flow rates in the area. The total estimated savings from this system alone is R8,25 million per year, and when combined with the savings from other pressure management systems in Khayelitsha, Westbank, Eerste River, Brentwood Park, Langa and Belhar, the annual financial and water savings are massive.



# Review of the 2010/11 financial year

## Water reuse

At present, about 60% of all the water used in Cape Town is channelled into the city's sewer networks as wastewater. This wastewater is then treated and either reused (currently estimated to be about 10% of total wastewater) or discharged into the sea as treated effluent (currently 90% of total wastewater). The treated effluent that ultimately ends up in the sea is often disposed of through rivers and wetlands, which can have significant environmental impacts.

Treated effluent is a valuable resource and needs to be integrated with the overall process of reconciling water supply and demand. Currently, the 22 wastewater treatment works (excluding sea outfalls) in the City of Cape Town discharge approximately 17 214 Mℓ/month (as at December 2010) into rivers and directly into the sea. This represents a huge wastage of water resources, and requires the urgent development of effective reuse strategies.

An assessment of the water reuse potential to augment the WCWSS was undertaken in January 2009. The conclusion of this study was that there is significant potential for water reuse as a major intervention to augment the WCWSS, and that planned indirect potable reuse should be considered as the preferred way to implement a water reuse scheme. A detailed feasibility study is now being planned and will deliver a comparative assessment of water reuse against other potential water resource development options.

## Ensuring water quality



In managing the provision of drinking water and the treatment of wastewater, the City performs the dual roles of water service authority and water service provider. It also provides bulk drinking water to the adjacent local authorities of Drakenstein and Stellenbosch.

The quality of water produced at the City's water treatment plants is strictly monitored at all times to ensure compliance with the South African National Standard 241: 2006 for drinking-water quality. The Scientific Services Branch conducts routine sampling and analysis of potable water produced at all water treatment plants, as well as inspection of treatment processes. The City is also well advanced in its efforts to achieve SANS 17025 certification for its laboratory quality testing. The laboratory needs to be expanded to ensure the continued improvement of the City's capability to conduct a wide spectrum of water quality tests.

In 2010, the entire water supply system, including the City-owned catchments, dams, the ten water treatment plants, the bulk conveyance system and the whole distribution system, was assessed by the Department of Water Affairs (DWA) for its Blue Drop performance ratings. The City scored 98,2%, which was the second-highest score achieved by any municipality in the country.

According to the latest report, issued in 2009 by the DWA, the average Green Drop score – which is a measure of the City's 23 wastewater treatment works (WWTWs) – was 81,48%. Eight of the WWTWs achieved scores equal to or higher than 90%. However, the City recognises that there still is room for improvement in terms of ensuring that all the works are registered, and that the relevant documentary proof for the Green Drop assessment is readily available. Some of the WWTWs also require further improvement, specifically in relation to wastewater quality compliance, capacity building and planning.

## WASTE MANAGEMENT

The City of Cape Town has a long-term vision to integrate waste management services in such a way that they do not only provide in basic needs, but also augment economic activity, and minimise the effects of waste on human and environmental health. To achieve this vision, the City needs a lot of national support and development, particularly given that waste minimisation and recycling activities are not limited to Cape Town, and require the buy-in of processing and manufacturing sectors on a national scale. For this reason, a country-wide approach to effective waste management is needed in terms of planning, infrastructure, facilities, incentives and disincentives to drive economies of scale that will make waste management sustainable and economically viable.

## The City's approach to waste management



The City of Cape Town subscribes to the waste management hierarchy of the National Waste Management Strategy (NWMS) as a method of minimising the impact of waste that is sent to landfills. The Integrated Waste Management

Policy aligns all waste management services provided in the city with the NWMS, in an effort to contribute to the implementation of the national and provincial strategies to minimise waste at a local level. The waste management hierarchy can be visually depicted as follows:

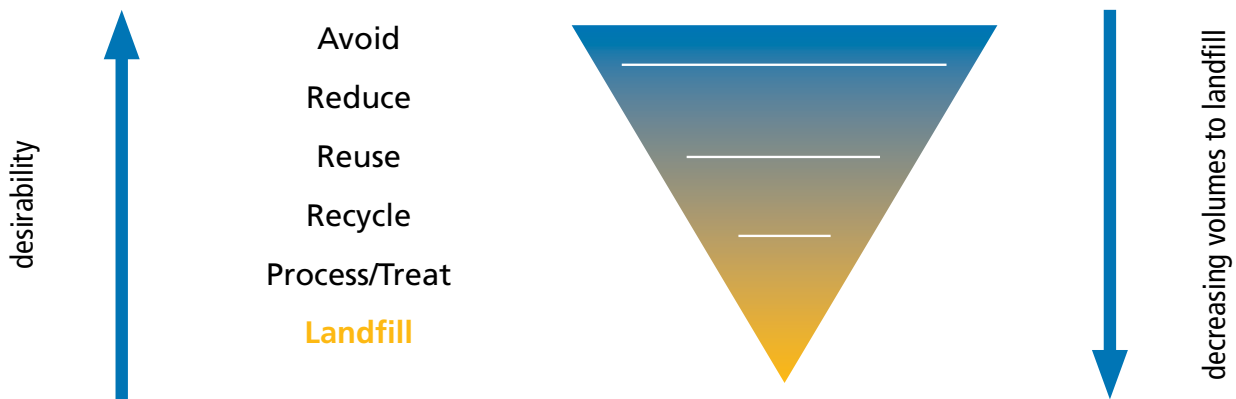


Figure 12: The waste management hierarchy

The increase in waste as a result of population growth is projected to be approximately 2–3% per year. Bulk waste management infrastructure requirements, specialised equipment investment needs and growing waste volumes are directly linked to population expansion, industrial development and tourism growth.

The City's integrated waste management (IWM) plan consists of operating and support strategies to manage and minimise waste, ensure sustainable and affordable services, and comply with the NWMS, as per the National Waste Act (Act 59 of 2008). Key projects and initiatives that formed part of the plan for 2010/11 included:

- rehabilitating old landfill sites;
- upgrading and replacing the Solid Waste Management fleet in line with the seven-year vehicle replacement plan, to improve equipment condition, reliability and availability;
- establishing one of the two new IWM facilities planned for development within the next five years;
- completing two mini-material recovery facilities (MRFs);
- completing a comprehensive Municipal Systems Act section 78(3) assessment of alternative service delivery mechanisms;
- commissioning the transfer station and drop-off facility at the Kraaifontein IWM facility;
- completing and testing the MRF at the Kraaifontein IWM facility; and
- securing a contract for both the operation of the MRF as well as separate collection of dry recyclables within the Kraaifontein catchment.

Major capital projects for the 2011/12 financial year include:

- purchasing of plant and vehicles;
- development of landfill infrastructure;
- rehabilitation and closure of landfill sites; and
- development of landfill airspace at Vissershok North landfill.

## Review of the 2010/11 financial year

The Solid Waste Management Department commissioned a consultant to complete a comprehensive assessment of waste management services in Cape Town in terms of section 78 of the Municipal Systems Act (Act 32 of 2000). The aim was to identify shortcomings in the service, as well as initiatives and infrastructure that will have to be developed and integrated to minimise waste-to-landfill in terms of the requirements of the National Environmental Management Act (Act 107 of 1998). Many of these activities are likely to require active participation by, and partnership with, the private waste sector, and even the processing and manufacturing industries.

The report to Council in March 2011 recommended that the feasibility of public-private partnerships (PPPs) be assessed as required by the PPP regulations. Council authorised this, and the assessment will start in the new financial year. It will involve existing or planned IWM facilities, and will require transaction advice from experts in the field to ensure that an appropriate recommendation can be made that properly considers risk and delivers value for money for the City and its ratepayers.

### The solid waste value chain

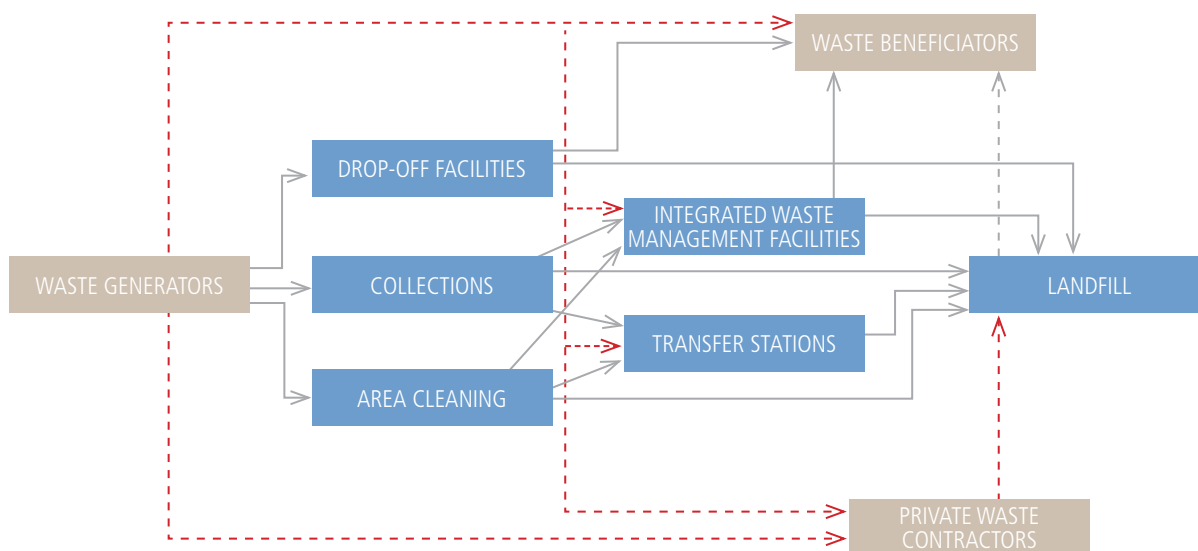


Figure 13: The solid waste value chain

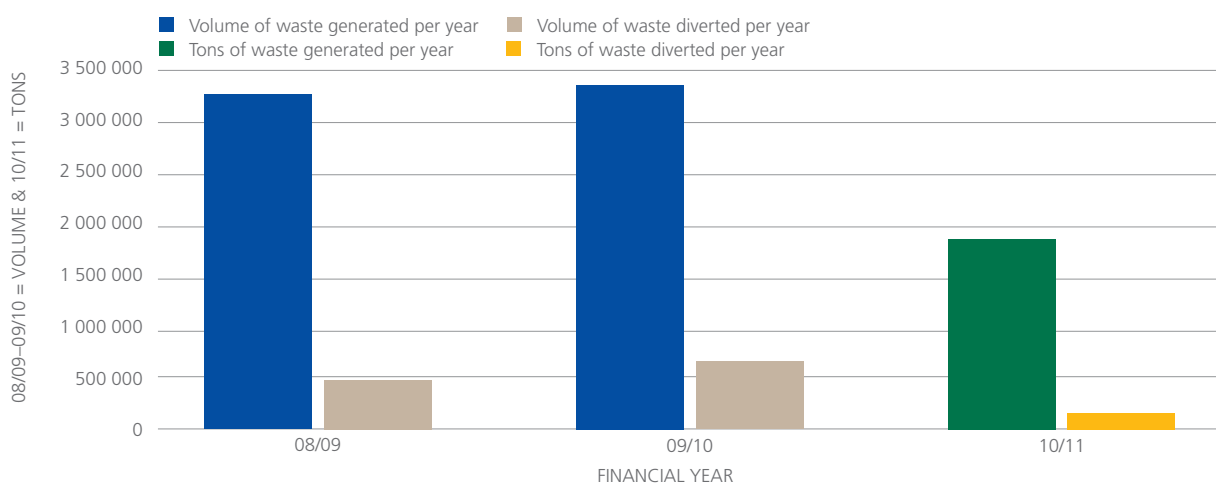
The importance of a unified and proactive effort to minimise waste is highlighted by a cursory glance at the remaining capacity of Cape Town's landfills:

Table 8: Remaining capacity of Cape Town's landfill sites

Landfill site	Remaining space
Bellville	1–2 years
Coastal Park	7–9 years
Vissershok South	2–4 years
Vissershok North	7–9 years

The City is committed to achieving ongoing landfill airspace savings through a variety of waste-to-landfill diversion mechanisms, including the composting of garden greens, the crushing and reuse of builder's rubble, diverting glass, paper, cardboard, certain plastics and metal cans from landfills to recycling facilities, and a number of pilot separation-at-source projects (the Think Twice recycling initiative). These projects are aimed at ensuring that predetermined residential areas in the Atlantic seaboard, Helderberg, South Peninsula and suburbs north of the N1 freeway/Tygerberg Hills have access to an additional weekly door-to-door collection of dry recyclables. The initial Think Twice project was implemented three years ago.





Note: Figures refer to waste minimised through City initiatives and waste disposed at City disposal facilities.

Figure 14: Amount of waste diverted from City of Cape Town waste management facilities

The City has also been investing in the development, maintenance and operation of its solid waste infrastructure, as follows:

Table 9: City of Cape Town's past and planned capital budget spend on solid waste infrastructure

	Capital spend during the last three years			Planned budget for the next three years		
	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000
Disposal sites	91 447	207 982	164 079	133 452	163 832	266 832
Vehicles and plant	63 173	72 680	27 532	155 124	94 300	68 100
Other	10 270	4 743	6 763	13 671	3 673	6 673
<b>Total</b>	<b>164 890</b>	<b>285 405</b>	<b>198 374</b>	<b>302 247</b>	<b>261 805</b>	<b>338 605</b>

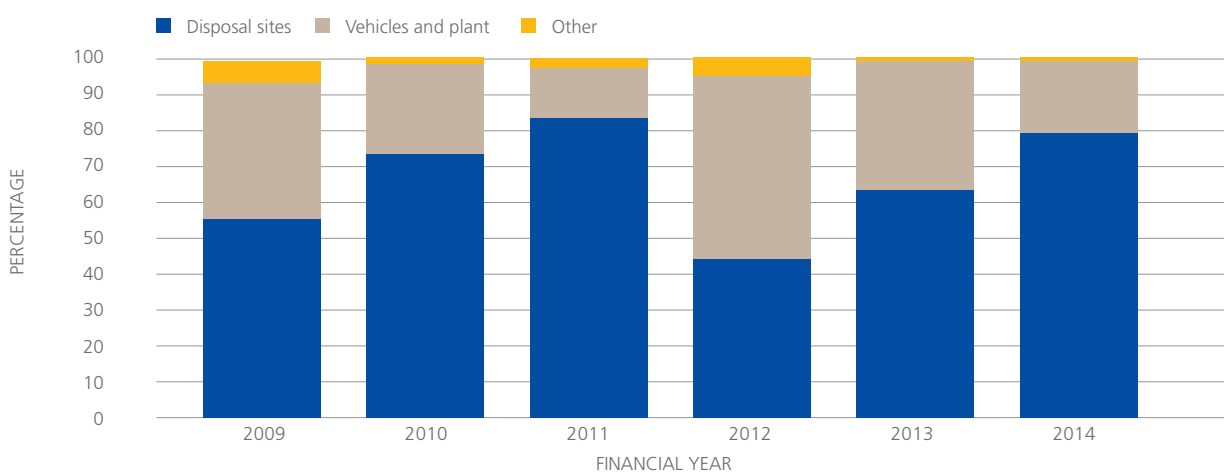


Figure 15: City of Cape Town's past and planned capital budget spend on solid waste infrastructure

## Review of the 2010/11 financial year

Table 10: City of Cape Town's past and planned operating budget spend on solid waste infrastructure

	Operating budget spend during the last three years			Planned budget for the next three years		
	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000
<b>Waste management</b>						
Staff costs	275 633	400 412	450 515	481 746	528 695	579 799
Contracted services	402 871	428 374	473 885	489 627	518 174	552 370
Other	293 086	262 866	388 112	447 382	507 315	539 671
<b>Total primary cost</b>	<b>971 590</b>	<b>1 091 652</b>	<b>1 312 512</b>	<b>1 418 755</b>	<b>1 554 184</b>	<b>1 671 840</b>
Secondary cost	250 627	304 157	391 094	444 114	474 280	474 280
<b>Total primary and secondary cost</b>	<b>1 222 217</b>	<b>1 395 809</b>	<b>1 703 606</b>	<b>1 862 869</b>	<b>2 028 464</b>	<b>2 146 120</b>
<b>Repairs and maintenance</b>	<b>67 447</b>	<b>77 744</b>	<b>80 884</b>	<b>85 848</b>	<b>93 145</b>	<b>100 969</b>

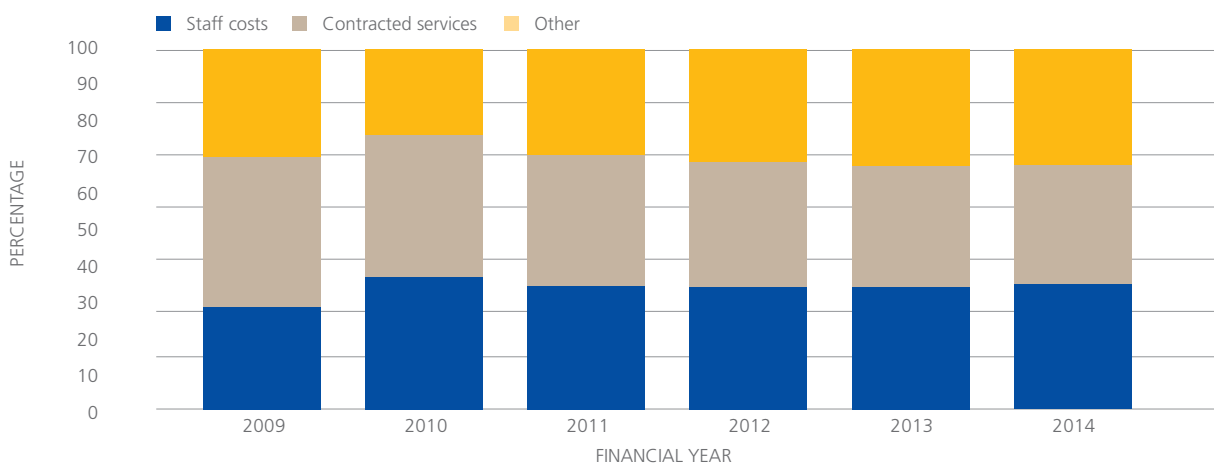


Figure 16: City of Cape Town's past and planned operating budget spend on solid waste infrastructure

### Waste removal

During the 2010/11 financial year, the number of informal settlement dwellings receiving an integrated refuse collection and area cleaning service reached 193 951. All City customers in the known informal settlements have access to this service. Newly encountered dwellings in existing informal settlements and/or new informal settlements receive a temporary or emergency service until the standard basic service can be implemented.

All formal domestic City clients receive a weekly kerbside refuse collection service, as defined in the IWM Policy as the basic level of service. The IWM Policy is available for download on the City of Cape Town's website.



The City aims to reduce the generation of waste and the environmental impacts of waste as it affects socio-economic development the health of people and the quality of environmental resources.

# Energy efficiency for a sustainable future

## What we set out to do:

- Develop, adopt and implement a comprehensive response to Cape Town's energy and climate change challenges

## What we achieved in 2010/11:

- Reduced energy consumption in the Cape metropolitan area by 10,3%

SFA 03



Cape Town is situated in the heart of the Cape Floristic Region with one of the highest proportions of endemic species in the world.



## ENERGY AND CLIMATE CHANGE

Energy in Cape Town is derived from multiple sources, such as burning coal, nuclear power and renewable resources. Liquid fuels (petrol and diesel) are mainly used for transport purposes, while paraffin is commonly used for household cooking and lighting needs. Renewable-power generation sources currently constitute less than 1% of the City's grid-based electricity supply, provided mainly by the Darling wind farm.

Energy use in transport makes up a significant percentage of Cape Town's overall energy use. In order to reduce the impact of transport energy use, the City is implementing a number of transport interventions, the most significant of which is the integrated rapid transit (IRT) system. This system aims to reduce the number of cars used for regular commuting, thus reducing traffic congestion and significantly lowering fuel use and carbon emissions. In 2010, Council adopted the integrated Energy and Climate Change Action Plan (ECAP), which provides a strategic framework for achieving energy use reduction targets as well as improving the city's resilience to climate change.

A comprehensive education campaign aimed at raising awareness of carbon dioxide (CO<sub>2</sub>) has also been initiated to encourage more sustainable energy use, such as the promotion of alternative technologies and green energy. In addition, the City is committed to off-setting significant carbon emissions in ways that can yield long-term environmental and social benefits for Cape Town.

## PRESERVING OUR ENVIRONMENT

Cape Town's environmental and cultural heritage wealth is in many ways the foundation of the city's economy, and underpins its future. However, the environment is under increasing pressure, with a steady decline in the natural and heritage base. Rich in natural assets, diverse ecosystems, landscapes, heritage, cultural and social diversity, Cape Town needs to strike a sustainable balance between environmental protection and the ongoing economic and social development needs of its growing population. Unless steps are taken to reverse the environmental decline and change resource consumption patterns, the social and economic cost and risk to Cape Town and its citizens will increase.

## PROTECTING OUR NATURAL RESOURCES

Cape Town is located in the heart of the Cape Floristic Region (CFR) – an area of unique biodiversity, with one of the highest proportions of endemic species in the world. Over 70% of its approximately 9 600 plant species are found nowhere else on earth. However, the CFR has officially been identified as a "global biodiversity hot spot", making it one of the planet's 25 most threatened ecosystems, and placing the responsibility on Cape Town to ensure its adequate conservation.

The challenge, however, is that Cape Town's unique biodiversity exists within its urban fabric and, therefore, the conservation status of natural vegetation within the city needs to be very closely monitored. The reality of human development in the city has meant that significant amounts of biodiversity have been lost over the last 50 years. Infestation by invasive alien species is another significant contributing factor to biodiversity losses.

In order to ensure that the unique biodiversity of the region is conserved, and that future generations will be able to enjoy its benefits, the City has committed to achieving certain conservation targets. Minimum conservation targets of between 24% and 30% of original (historical) extent have been set for individual vegetation types as part of the Biodiversity Network, a medium-term conservation plan that, if achieved, will ensure the long-term protection of the City's natural environment.

This plan has been incorporated into the CTSDf, thus mapping out a future in which biodiversity concerns feature prominently in decision-making. The City's Environmental Agenda 2014 target is to see 60% of the Biodiversity Network formally conserved. Currently, less than 40% is under formal conservation management.



## > 05 Green Point Park an oasis of biodiversity

On 9 February 2011 Green Point Park opened to the public. The opening of the 12,5 ha park, which forms part of the Cape Town Stadium and Green Point Common precinct, was the culmination of years of careful planning, construction and planting. The park offers users extensive walkways, seating, green areas, water features and ponds, as well as a walking, cycling and jogging track. Designed in line with international environmental and ecological principles, the space includes indigenous landscaping and multipurpose spaces, and features a biodiversity garden to showcase the original vegetation types of the area. Spring water from the historical Oranjezicht springs is redirected via a canal to Green Point Common and Green Point Park, reducing the reliance on scarce drinking water for irrigation. The irrigation area totals 63 ha and includes the stadium, park, golf course, beachfront promenade, playing fields and track.







Cape Town Stadium was retrofitted with energy-efficient lamps.

### THE CITY GOES SOLAR

The City of Cape Town is leading by example by promoting and embracing energy efficiency in its own operations. In the last financial year, as part of its integrated ECAP, the City retrofitted 44 of its clinics with 86 solar water heaters. In addition to using less electricity and becoming more energy efficient, Cape Town also needs to reduce its carbon footprint. Greater energy efficiency and a smaller carbon footprint are good for business, for investment and for energy security. Water heating with electricity geysers is one of the biggest electricity users in the city – solar water heaters can reduce this by 60%, which represents a large saving on all fronts for the City.

### FOCUSING ON RENEWABLE ENERGY

The Western Cape was the first province in South Africa to adopt a sustainable-energy strategy. In the City of Cape Town, the ECAP (including a Solar Water Heaters Policy) is driven and monitored by an Energy Committee.

Currently, the Western Cape's energy consumption is high, at around 3 500 MW a year. To ease this high consumption and general strain on energy demands, the Province has set itself renewable-energy targets of 15% of total energy by 2014. Via its ECAP, the City has promoted various energy-efficient initiatives, some looking at stimulating demand in the local solar water heater manufacturing sector.

A new sector body called GreenCape was launched by the Province and the City in November 2010 with the aim of unlocking the manufacturing and employment potential of the green economy in the Western Cape, and coordinating industry development in the renewable-energy subsectors of wind, solar and others.

### REDUCING ENERGY CONSUMPTION

A key environmental sustainability indicator for the City is its ability to reduce electricity consumption consistently below projected unconstrained electricity consumption figures. During the 2010/11 financial year, the City exceeded its target in this regard, achieving a 10,3% reduction against the unconstrained energy use of 11 763 GWh.

# 10,3%

REDUCED ENERGY  
CONSUMPTION IN THE  
CAPE METROPOLITAN  
AREA

# Public transport systems

## What we set out to do:

- Improve Cape Town's public transport systems and services

## What we achieved in 2010/11:

- Developed National Land Transport Act (Act 5 of 2009) programme
- Launched Phase 1A of bus rapid transit network
- Completed Transport Management Centre
- Maintained the City's road network
- Completed first phase of Strandfontein Road upgrade
- Completed public transport interchanges upgrades
- Achieved categorisation as Planning Authority Category 1 by Province
- Approval and gazetting of the Integrated Transport Plan 2006–2011 by Province
- Introduced eco-driver training programme
- Introduced late-night train service and security at ten park-and-ride stations on Simon's Town line
- Replaced 23 000 incandescent traffic light bulbs with LEDs
- Completed intelligent transport systems project
- Completed long-distance bus terminal in Cape Town central business district
- Reviewed Traffic Calming Policy
- Approved Parking Management Bylaw
- Approved Public Transport Bylaw

SFA 04



Mobility in Cape Town takes various forms.



## TRANSPORT AND SPATIAL DEVELOPMENT

Transport systems are essential to the functioning of smooth-running cities and a critical facilitator of the mobility and access needed to support a healthy economy. This is particularly true for Cape Town, which has experienced an annual increase of 3% in traffic volumes over the last ten years.

Mobility in Cape Town takes various forms, including walking, cycling, private car, rail, commuter bus, mini-bus taxi, bus rapid transit as well as other options.

The City aims to improve the public transport system and services for the benefit of all citizens, both now and in the future, through the pursuit of a long-term vision for transport that focuses on the provision of safe, reliable, effective and fully integrated transport systems, operations, infrastructure and services. In this way, the City aims to meet access, mobility, and movement of goods and services requirements, while supporting local and regional economic development and creating sustainable communities by putting public transport, people and quality of life first.

Achievement of the vision for transport requires ongoing cooperation, communication and collaboration with the City's partners, including the National Department of Transport, National Treasury, the Province, state-owned enterprises, transport agencies, the private sector, public transport operators and communities.

Macro transport policies to effect the necessary improvements in public transport systems are largely in place. The National Land Transport Act (Act 5 of 2009), the Provincial Land Transport Framework (PLTF) and the Comprehensive Integrated Transport Plan (ITP) 2006–2011, a statutory plan that was gazetted in 2010, are all in place.

The ITP also reviews a number of sector strategies for integrated transport, including safety, public transport operations, transport infrastructure, travel demand management, freight, non-motorised transport, ports, airports, road network operations, coordinated planning, asset management, institutional strategy, funding and public consultation.

As a statutory sector plan of the IDP, and a five-year strategic plan with annual reviews, the ITP recommends transport policies, programmes, action plans and investments required to support the City's strategic development objectives. These include support for unlocking environmental, economic and social opportunities through integrated planning – a lever for delivering on land development objectives and the development of sustainable communities. As a strategic investment plan, the focus is on the need to redirect capital and operating investments as follows:

- Invest to maintain, meaning repairs and upgrades to keep our existing system, services and infrastructure in a good working order
- Invest to enhance, implying more, better and faster services without any major additions to infrastructure
- Invest to expand where appropriate, meaning new infrastructure requiring major improvements

As part of the plan, a number of significant capital programmes will be undertaken in the medium term, including:

- the further roll-out of the BRT system to Atlantis and the south-east metro;
- the upgrade of public transport interchanges;
- the maintenance and rehabilitation of major roads;
- non-motorised transport; and
- replacement of LEDs on traffic signals.

## CURRENT CHALLENGES

The improvements and developments in public transport are not keeping up with growth in demand for access and mobility. The real costs of transport and the associated problems are not being met effectively. The citizens of Cape Town both deserve and want a public transport system that works and is inexpensive, safe, efficient and environmentally friendly. A large percentage of the population in Cape Town lives in dense informal settlements that are located in areas with lower levels of attraction. In terms of access, these members of the population often rely exclusively on walking and public transport for mobility. The key challenge for public transport, therefore, is to play its role effectively in connecting the neighbourhoods on the fringe of the city with other areas, particularly those where job opportunities exist.

## Review of the 2010/11 financial year

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The current transport system is experiencing growing congestion on roads, trains, airports and other transport infrastructure. The effect of imbalances between the various modes may be a loss of economic competitiveness. From a social perspective, the increasing social divide between those that are able to maximise opportunities because they have access to a private car, and those that are constrained by having to use deteriorating public transport, can be expected to exacerbate existing social problems.

### **ACHIEVEMENTS IN THE 2010/11 FINANCIAL YEAR**

A number of initiatives, programmes and projects have been delivered, including the following:

#### **Institutional reform**

The 2010/11 financial year saw the approval of a five-year high-level business plan for the implementation of the requirements of the National Land Transport Act (Act 5 of 2009), which addresses the current fragmentation of the responsibility for transport in the metropolitan area, and makes provision for the City's role as planning authority to expand also to cover the licensing, regulatory, contracting and subsidy allocation functions for all modes of public transport, including bus, taxi, bus rapid transit and commuter rail.

Furthermore, Council approved the establishment of the Intermodal Planning Committee and the Municipal Land Transport Advisory Committee as the statutory structures to ensure integrated planning, coordination, ongoing engagement and consultation with a wide range of stakeholders and partners on transport matters.

A further element of the institutional reform under investigation is the provision for an arm's-length municipal entity as an appropriate mechanism to manage the operating aspects of public transport in the metropolitan area.

#### **Categorisation of the City as Planning Authority Category 1 by Province**

The 2010/11 year saw the City being formally categorised and mandated by Province as a Type 1 planning authority, and designated as the transport planning authority in terms of the requirements of the National Land Transport Act (Act 5 of 2009).

#### **Approval and gazetting of the Integrated Transport Plan 2006–2011 by Province**

The City's Integrated Transport Plan was approved by the Provincial Minister of Transport and Public Works, and was later gazetted in the Provincial Gazette.

#### **Transport Management Centre completed**

During the period under review the integrated Transport Management Centre (TMC) was completed. The TMC served as the City of Cape Town joint operations centre during the 2010 FIFA World Cup™ event. The TMC is a 24/7 operations centre that accommodates transport (including Phase 1A of MyCiTi services), traffic and safety-and-security management functions and, in the case of the freeway management system, involves the City, the South African Roads Agency Limited (SANRAL) and the Province. Metro Police's CCTV and radio operations within the TMC include officers from the South African Police Service. The TMC also accommodates the Transport Information Centre (TIC), which provides public transport-related information to communities and a toll-free query or response service via its 0800 65 64 63 number. The project was completed at a total project cost of R155 million.

#### **Phase 1A bus rapid transit network for the inner city and West Coast (MyCiTi) introduced**

In the 2010/11 financial year, the development of Cape Town's public transport system took another big step forward with the launch of several new, convenient, reliable and affordable MyCiTi services. These include the first main route between Table View and the city centre, with a dedicated bus way that will cut travelling time by half during peak hours. Complementing the main route are four feeder bus services: three in the Table View area and one that runs through the city centre, from Gardens to the Waterfront, via the Civic Centre, Foreshore and Green Point. The feeder services run every 15 minutes during peak times and every 20 minutes for the rest of the day.

This is the first phase of a system that the City plans to roll out across Cape Town in the years to come, linking up with other modes, such as rail, as well as cycling and walking networks. In July 2011, construction on stops and stations for nine permanent feeder routes in the city bowl area commenced. The routes include a service along the Atlantic seaboard via Sea Point and Camps Bay to Hout Bay, a route over Kloof Nek, and one that extends through Salt River. From 2012, the MyCiTi system will also be extended to Atlantis, Du Noon, Joe Slovo Park, Montague Gardens and Melkbosstrand.



With the launch of the MyCiti bus service in the 2010/11 financial year, Cape Town's public transport system took a big step forward.

### **Late-night train service and park-and-ride programme**

The 2010/11 period saw the further roll-out of the 2010 park-and-ride programme, with the implementation of secure park-and-ride facilities at ten stations along the Simon's Town line. The late-night train service was also reintroduced thanks to the establishment of security at these park-and-ride facilities through a joint initiative between the City, Province and Metrorail.

### **Long-distance bus terminal in Cape Town central city**

During the financial year under review, construction was completed on a new long-distance bus facility with 14 docking stations and various facilities for users, including a lift for universal access to the station deck and Cape Town Station. This was a joint project with the Passenger Rail Agency of South Africa (PRASA) and Intersite.

# Review of the 2010/11 financial year

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## **Kuyasa public transport interchange**

The award-winning Kuyasa public transport interchange was completed as part of the Violence Prevention through Urban Upgrading programme in Khayelitsha. The interchange is an intermodal facility with park-and-ride facilities, commercial and trading opportunities, security, and taxi management facilities. The project was completed at a cost of R30 million.

## **Mitchells Plain transport interchange**

The 2010/11 financial year saw the completion of the northern terminal parking facility, providing bus and taxi facilities.

## **Promotion of non-motorised transport**

The walking and cycling lanes of the new MyCiTi transport system were launched in February 2011 as part of the City's commitment to promoting greener and healthier public transport. The non-motorised transport (NMT) lanes extend for 15 km between Table View and the central city, running parallel to the new MyCiTi bus lanes, affording cyclists and pedestrians a safe and healthy alternative to motorised public transport.

A network of similar NMT lanes is planned for other parts of the city, with feeder lanes connecting the major public transport routes and rail stations across Cape Town. This forms part of a citywide network aimed at enabling people to cycle and walk across the city from any one destination to any other.

New NMT lanes are currently being constructed in the central city along Adderley, Shortmarket and Somerset roads. In addition, new urban cycling and walking paths have already been built along the Liesbeek River and in Athlone, Gatesville, Khayelitsha, Gugulethu, Nyanga and Philippi. The lanes between Table View and Cape Town have already proven highly popular with cyclists, and are used extensively.

## **Maintenance of the city's road network**

The city has an extensive road network of almost 10 000 km that underpins road-based public transport via bus rapid transit, normal buses and mini-bus taxis. For efficient public transport, it is critical for the road network to be properly monitored, maintained, rehabilitated and extended where necessary.

### **Phase 1 of the Main Road Muizenberg-to-Clovelly rehabilitation**

The first phase of the rehabilitation of Main Road from Muizenberg to Clovelly was completed with the replacement of all underground services, including stormwater and sewer pipes, as well as the reconstruction of the road and sidewalks. Main Road is one of only two roads providing south peninsula residents with access to the eastern and northern suburbs.

### **Realignment of Merrydale Road for public transport purposes**

Construction and realignment of Merrydale Road between Lavender Street and Melkbos Street in Lentegeur, Mitchells Plain, have been completed. The project included the construction of two traffic circles, as well as walking and public space enhancement measures. The intervention, which cost R5,6 million, has improved traffic flow, pedestrian safety and transport loading capacity, while also easing congestion.

### **First phase of Strandfontein Road upgrade completed**

Residents in the Strandfontein area and surrounds now enjoy vastly improved traffic flows thanks to the completion and opening of the newly upgraded section of Strandfontein Road in May 2011. The 3,1 km section of Strandfontein Road between 5th Avenue and Emerald Way was converted into a two-lane dual carriageway. In addition, the intersection with 5th Avenue was improved, bulk stormwater infrastructure upgraded, street lighting provided along the entire length of the new carriageway, and landscaping done to beautify the sections next to the new road. The project was prompted by the findings of traffic studies that showed that the existing road could not support the volume of traffic that would be generated by the proposed Pelican Park development. Phase 1 provided employment to 109 local community members through various subcontractors.



### **Sustainable transport: Eco-driver training programme**

In contributing to the Energy and Climate Change Action Plan for the City, 40 of the City's drivers were trained and certified in the eco-driver training programme – a joint initiative between the City's Transport and Corporate Technical Services departments. The aim of the programme is to promote awareness of the impact of transport and vehicles on the City's Energy and Climate Change Action Plan and the need to reduce air pollution.

### **Installation of low-energy devices on traffic lights**

In the 2010/11 financial year, 23 000 incandescent traffic signal lamps in traffic lights across the city were replaced with energy-efficient LEDs (light-emitting diodes). This programme ensures that there are less traffic signal lamp failures, and also lowers electricity consumption at traffic signal intersections by approximately two-thirds.

### **Intelligent transport systems project**

The freeway management system (FMS) project has been implemented. This is a joint venture between the City of Cape Town, SANRAL and Province and involves the management of the city's freeways – including incidents – using intelligent transport systems like CCTV and dynamic message signs.

The FMS operation is accommodated in the Transport Management Centre (TMC) in Goodwood, where operators monitor the freeways using 200 CCTV cameras, perform information management functions (including the display of messages on 48 dynamic message signs) and manage incidents. Road users (private, commercial and public transport) are better informed about road/traffic conditions and incidents, and benefit from a safer transport environment. FMS operators identify over 90% of incidents on the freeways and ensure that an immediate and accurate response is triggered. All incidents are monitored, and video footage of all incidents is recorded and made available for debriefings and prosecution where necessary. The FMS information is used by engineers, emergency services and law enforcement agencies to improve service delivery and infrastructure.

### **Traffic Calming Policy reviewed**

The 2010/11 financial year saw the approval and review of the Traffic Calming Policy, with greater emphasis placed on the occurrence of accidents and the presence of pedestrians on roads. Appropriate traffic calming projects are being implemented in communities to ensure the safety of residents.

### **Transport bylaws approved**

The 2010/11 financial year saw the approval of the following transport bylaws:

*Parking Management Bylaw* – Orderly and controlled parking is key to the economic development of a city, and the implementation of the parking bylaw to monitor and manage parking violations supports this development by ensuring that available parking is shared equitably among all motorists.

*Public Transport Bylaw* – The bylaw is a tool used by Traffic Services, Metro Police and Law Enforcement to manage the operations in the public transport environment and ensure an efficient and safe service for public transport users.

### **INTERNATIONAL ENGAGEMENTS**

A number of local and international delegates visited the City's Transport Directorate for the purposes of fact finding, international relations, networking and raising awareness of the City of Cape Town's transport policy, and strategy formulation and application. Engagements took place with formal delegations from Dakar, the United States of America, Canada, Spain, the Thailand Ministry of Transport, and the World Bank.

THE AWARD-WINNING  
KUYASA PUBLIC TRANSPORT  
INTERCHANGE WAS  
COMPLETED AT A COST OF

**R30 million**

# Integrated human settlements

## What we set out to do:

- Deliver housing opportunities in accordance with the five-year housing plan
- Provide equitable community facilities and services across the city

## What we achieved in 2010/11:

- Provided 7 472 housing opportunities, including upgrades to community residential units (CRUs)
- Maintained 2 996 community parks to agreed standards
- Serviced 955 erven under informal settlement upgrade programme
- Ensured complete grass cover for 503 fenced formal sports fields
- Ensured that 66 libraries operated according to minimum set operating hours
- Maintained 171 halls to agreed standards

SFA 05



An integrated approach to housing delivery not only provides living space, but also other required amenities.

The City follows an integrated approach to housing delivery to ensure social cohesion and a living environment that not only provides living space, but also all other required amenities. Integrated human settlements incorporate a mix of housing opportunities, coupled with the provision of community facilities and services. These facilities are also subject to ongoing maintenance to support and promote healthy lifestyles, but are not limited to residential areas.



### HUMAN SETTLEMENTS AND SERVICES, AND THE CREATION OF HOUSING OPPORTUNITIES

The City has aligned its housing development strategies and goals with those contained in the comprehensive plans of the national and provincial departments of human settlements, namely Breaking New Ground (BNG) and the Sustainable Human Settlements Strategy (“Isidima”) respectively. In this way the City seeks to deliver housing opportunities and a mixture of tenure types for its poorer citizens and residents, with adequate access to social and economic opportunities in well-located and safe urban areas. The City is working to achieve this through the range of available national housing programmes, with funding provided through its annual allocation from Province in terms of the Division of Revenue Act (DORA).

### DELIVERING HOUSING OPPORTUNITIES

During the period under review, the City delivered 89% of its targeted housing opportunities for the year. This was achieved despite various challenges, including resistance from within communities, which caused delays or even the discontinuation of projects. To address these challenges, the City strives to keep the channels of communication open with these communities, and to promote ongoing dialogue on current and future housing initiatives.

Two large turn-key (“ready-to-use”) integrated housing development projects were launched at Pelican Park and Scottsdene. These projects will set a standard for integrated housing delivery, with cross-subsidisation and PPP opportunities. The Pelican Park Phase 1 (3 300 units) and Scottsdene (2 200 units) housing projects will include subsidy, rental, affordable and open-market (bonded) housing units.

### AN INTEGRATED HOUSING PLAN FOR IMPROVED DELIVERY

The City’s five-year Housing Plan has been reviewed for the period 2011/12 to 2015/16 to ensure alignment with Outcome 8 and Strategic Objective 6 of the national and provincial departments of human settlements respectively. The plan also incorporates funding priorities in respect of the Urban Settlements Development Grant (USDG), which comes into effect on 1 July 2011. The planned number of opportunities per category for 2011/12 to 2012/13 is indicated below:

Table 11: Planned number of housing opportunities to be delivered by the City of Cape Town

Description	Number of units 2011/12	Number of units 2012/13
New subsidy/project-linked projects	4 500	4 700
Social housing	300	300
Hostel redevelopment	300	300
Upgrade of informal settlements, and emergency housing	1 400	1 500
Land restitution claims	200	200
Gap (affordable housing)	500	500
CRU (major upgrade of rental stock)	1 600	1 500
<b>Total</b>	<b>8 800</b>	<b>9 000</b>

More detail on these targets can be obtained at [www.capetown.gov.za/housing](http://www.capetown.gov.za/housing) in the 2011/12–2015/16 Integrated Housing Plan, which is reviewed annually.

### URBAN SETTLEMENTS DEVELOPMENT GRANT

The Urban Settlements Development Grant (USDG) is a new grant comprising the old services component of the existing housing subsidy, plus the former Municipal Infrastructure Grant (MIG) to the City and an additional National Housing Fund allocation. It represents a fundamental shift in the total integrated housing funding instrument package. Top structures will be funded by the Human Settlements Development Grant (HSDG), while the USDG will fund the serviced land component. Application of these grants will ensure improved human settlement development planning and coordination across the City.



Caption text here

### **ACCREDITATION TO MANAGE AND ADMINISTER NATIONAL HOUSING PROGRAMMES**

On 4 March 2011, the National Minister of Human Settlements granted the City of Cape Town Level 1 and 2 housing accreditation in terms of the Housing Act (Act 107 of 1997). This accreditation implies that the City will ultimately be responsible for a number of functions that have to date been fulfilled by Province's Department of Human Settlements. Functions such as full programme management and administration of all housing instruments and subsidy approval for beneficiaries will become the City's direct responsibility.

The creation of the USDG has further necessitated the establishment of the National Housing Programmes Department to accommodate applications under this funding stream, and is predominantly focused on providing infrastructure (both bulk and internal reticulation) as well as supporting the purchase of land for the promotion of Outcome 8 for creating sustainable human settlements.

The Manager: National Housing Programmes assumed duty on 1 March 2011, and the next critical step will be to review and obtain approval for the departmental structure, and then to fill the approved posts.

The National Department of Human Settlements is still busy finalising the application process for Level 3 accreditation. This process will also have to provide for amendments to the Housing Act, to allow for full assignment of functions to accredited municipalities. The City intends to apply for Level 3 housing accreditation as soon as the aforementioned process has been finalised.

### **A STRATEGY TO ADDRESS URBANISATION**

The City's Local Government Turnaround Strategy identifies urbanisation and poverty reduction as some of the most important challenges the City of Cape Town is facing. To ensure that urbanisation is not only viewed negatively, but also as an opportunity that may contribute to social and economic development, the City has established an Urbanisation Department, which is located within the Housing Directorate. Its primary responsibility is to drive the development and implementation of the City's Urbanisation Strategy, to achieve sustainable, people-centred and inclusive urbanisation in the city.

To this end an Urbanisation Framework has been drafted to facilitate strategy development, as well as an urbanisation implementation programme. This strategy will inter alia address the consequences of poverty, uncontrolled growth of informal settlements, the proliferation of informal backyard structures and pollution of the natural environment.

The Department is already focusing on interventions such as the integrated and structured upgrade and improvement of informal settlements, and the Integrated Backyard Dwellers' Services Improvement Programme. The latter will result in improved basic services to backyard dwellers, i.e. those who reside in the backyards of Council-owned rental units, as well as improved relations between backyard dwellers and tenants, including reducing exploitation.

A survey, for which a service provider has already been appointed, is to be conducted in the three pilot areas of Langa, Hanover Park and Factreton between August and October 2011, which will inform the development and implementation of a holistic Backyard Management and Improvement Strategy. Council approved an additional R10 million for the project, and backyarders in Factreton will benefit immediately by having improved access to water, sanitation, refuse removal and electricity. The USDG will fund some of the infrastructure upgrades, where necessary.

The coordinated approach to the management and upgrade of informal settlements is another priority area under the Urbanisation Strategy. Some of the activities include the development of a corporate geographic information system (GIS) database for all informal settlements, improving access to basic services and expanding implementation of the five Violence Prevention through Urban Upgrading (VPUU) informal settlement pilot projects, as well as the 11 partnership informal settlement projects. An inter-directorate Informal Settlements Coordination Team has been established to improve teamwork, coordination and joint monitoring with regard to the management and upgrade of informal settlements.

### LAND ACQUISITION FOR HOUSING

The year proved difficult with respect to land purchases. An amount of R45 million was budgeted and purchase offers in excess of R90 million were made. At year-end, transactions to the value of R22,2 million were concluded, with several deals pending or falling through. However, the parcels bought are significant in terms of allowing service delivery to informal areas (such as Doornbach) or relocations (such as Hangberg). Access to state-owned land for housing purposes has again been pursued (such as Swartklip), as has access to underdeveloped parcels of land (such as vacant school sites or open spaces).

*Land release* – The release of land for social housing, restitution and gap (affordable) housing continued in the past year. With respect to social housing, the Drommedaris project was completed and launched. The Steenberg project was also finalised, with the first 130 tenants having taken occupation. Phase 1 of the Steenberg project resulted in the production of 450 units.

In terms of land restitution, 44 units in District Six were formally handed over at a ceremony, while the recommendation to return prime land in Constantia to 46 claimants was also approved by Council. Construction on the Tramways project in Sea Point was started.

In respect of gap housing, 92 plots in Ilitha Park, Khayelitsha, have been made available to emerging contractors. Construction is in progress on the first batch, with 30 having been sold. Council resolved to sell another 101 plots in Fairdale and 54 in Belhar. The last houses of the 192-unit Scottsdene show village project have also been completed.

*Land planning* – The Department participated in several planning processes, which will yield subsidised housing opportunities. These include Garden Cities' project in Fisantekraal, Kapteinsklip, which will be run by the Spatial Planning Department. Planning processes run internally by the Housing Directorate include the regularisation of backyard structures on Council housing estates and informal settlement upgrade planning.

### URBAN RENEWAL IN KHAYELITSHA AND MITCHELLS PLAIN

The Urban Renewal Programme (URP) highlight was the completion of the Integrated Nodal Local Economic Development Strategy. The strategy identifies economic development drivers of, and investment opportunities in, the various nodes, as well as impediments to the economic development of the nodes. It proposes interventions for dealing with impediments.

Various initiatives to kick-start the processes of developing gateway nodes have been completed, including the Kapteinsklip/Mnandi precinct feasibility study, the Lookout Hill tourism resort development framework and the Vuyani gateway node development framework. The next steps will be the development of detail designs, and the mobilisation of resources and partners for implementation.



## Review of the 2010/11 financial year

The URP, in partnership with the private sector and other spheres of government, is involved in a number of planned initiatives for the nodes, which include the upgrade of Monwabisi, Mnandi and Blue Waters coastal resorts as well as the development of Kapteinsklip, Makhaza and Vuyani gateway nodes, a Phase 2 retail development and a central business district housing development in Khayelitsha, and the expansion of NMT as well as bush clearing of crime hot spots in Khayelitsha and Mitchells Plain.

Challenges include land availability for integrated human settlements development, specifically in Khayelitsha; mainstreaming of URP into the core business of the City, and the scaling up of URP best practices in the City.

### INFORMAL SETTLEMENT PROGRAMMES

The Informal Settlements Master Plan is a programme to roll out essential services to the city's known informal settlements. The overall levels of services provided to date are indicated below:

Table 12: Service levels provided to informal settlements by the City of Cape Town

Service	Service level
Water services (number of taps)	6 416
Sanitation services (number of sanitation facilities)	27 411
Number of solid waste collection systems	223
Number of electrification systems	112
Number of public lighting	93

The Winter Readiness Plan is a flood-risk mitigation programme aimed at high-risk informal settlements. Over the past three years the City has made this plan a continuous, year-round function.

The Pilot Upgrade of Informal Settlements Programme is aimed at improving the quality of life of residents in informal settlements by exploring revised service delivery principles, methodologies and delivery mechanisms in five pilot settlements. The City has achieved the following over the past year:

Table 13: City of Cape Town achievements in its Pilot Upgrade of Informal Settlements Programme

Settlement	Area	Milestone status
Monwabisi Park	Khayelitsha	Infrastructure planning and design – electrification to commence in 2011
TR Section	Khayelitsha	Community action plan developed
BM (Barney Molekwana) Section	Khayelitsha	Baseline surveys completed
Lotus Park	Gugulethu	Baseline surveys completed
The Heights	Steenberg (Lavender Hill)	Community leadership engagement in progress

### A STRUCTURED PROGRAMME FOR UPGRADING INFORMAL SETTLEMENTS

An Informal Settlements Strategy was completed, and outlines, among others, issues relating to tenure, partnerships and incremental upgrades. Partnership structures were formed between the company Independent Site Management (ISM), the Community Organisation Resource Centre (CORC) and the City of Cape Town to improve informal settlements in Cape Town incrementally.

Another temporary relocation area (TRA) was built in Mfuleni, which housed 384 families affected by floods. A further four TRAs could not be completed because of various community dynamics. The Anti-Land Invasion Unit continues to achieve a 100% success rate in dealing with planned land invasions on City-owned and Province-owned land. The City continues to assist those devastated by fires and floods by issuing fire and flood kits.

### THE MUNICIPAL INFRASTRUCTURE GRANT FOR CITIES PROGRAMME

In 2010/11 the City of Cape Town utilised various sources of funding for the provision of basic services to the poor. The respective conditional grants are the Municipal Infrastructure Grant (MIG), the housing subsidy and the Integrated National Electrification Programme (INEP). In order to provide a higher level of service than the prescribed national



norms and standards, the City tops up the additional cost from its own capital budget. This is to ensure equitable service delivery to all its citizens. The advantage is that a higher level of service decreases the operating costs (for example, a larger-diameter sewer pipe requires less maintenance than a smaller-diameter pipe).

The 2010/11 MIG receipts of R383 million and the actual expenditure of R320 million can be broken down as follows:

Table 14: Breakdown of the City of Cape Town's Municipal Infrastructure Grant allocation and expenditure

<b>City of Cape Town 2010/11 MIG receipts and expenditure</b>			
<b>Service area</b>	<b>Total received (R)</b>	<b>Actual expenditure (R)</b>	<b>Percentage</b>
Emergency services	500 000	500 000	100%
Transport, roads and stormwater	98 932 160	84 145 947	85%
Street lighting	4 000 000	3 815 000	95%
Sport and recreation	23 000 000	18 714 648	81%
Programme Management Unit	4 903 800	3 020 698	62%
Water	165 000 000	134 535 797	82%
Health services	869 000	869 000	100%
Solid waste	57 821 040	57 440 279	99%
Informal settlements	15 700 000	4 712 936	30%
Parks	13 000 000	12 425 120	96%
<b>Total</b>	<b>383 726 000</b>	<b>320 179 425</b>	<b>83%</b>

This is the last year that this grant will be allocated, as it is being incorporated into the USDG.

### **UPGRADING AND MAINTAINING THE CITY'S RENTAL UNITS**

The Community Residential Unit (CRU) programme, which allows for major maintenance of rental units, has led to the refurbishment of a further 1 215 units, thereby creating new, sustainable living environments for the tenants. This forms part of the roll-out of Phase 1, which consists of approximately 7 775 rental units, and will see the improvement of rental units in 11 housing estate areas across the metro. Some of the challenges causing delays in completing the project include gang violence in some of the areas and the presence of backyard structures.

All of the day-to-day routine maintenance budget for rental units was spent. The challenge in this regard is a lack of funding to attend to all the maintenance requests received from tenants on a daily basis. Key emphasis is placed on maintenance relating to health and safety.

The City has embarked on a modernisation programme to improve service delivery to more than 43 000 tenants. Improvements include upgrades to housing offices, the purchasing of computer equipment and the introduction of an improved management plan. KPMG was appointed to assist with business improvement. The project will include informative, implementable deliverables to optimise resources and enable delivery on agreed services in the most efficient manner.

The challenge of rental arrears has been addressed with the introduction of a monthly housing debtors' prize to encourage tenants to pay the rent that they owe to the City. Since November 2010, a draw has been held to award six R1 000 shopping vouchers to winners who have paid their rent for at least three consecutive months. This initiative has resulted in improved debtor payments and higher rent collections for the City.

Various other challenges have been responded to through the development and approval of policies and procedures in order to regulate the environment further. These include the following:

## Review of the 2010/11 financial year

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- *Procedures for the erection of backyard structures* – Due to increased urbanisation, people put up structures in backyards in an attempt to address their own housing needs. These new procedures will ensure that the erection of these structures is regulated.
- *A policy for determining selling prices of the remaining saleable rental units* – Outdated selling price formulas were being used and needed to be amended to arrive at a more realistic price in terms of the requirements of the Municipal Finance Management Act (Act 56 of 2003).
- *A policy for the cancellation of deeds of sale* – In some instances, original beneficiaries are no longer living on allocated sites, and therefore, a process needed to be put in place to regulate the issuing of title deeds to the current inhabitant in a fair and transparent manner.

A further challenge experienced in terms of rental housing is the slow movement of beneficiaries on the housing database (waiting list). In order to address this challenge, the City started a process to review the transfer of rental opportunities, to ensure that it is more fair and equitable. These provisions are currently being incorporated into the Housing Allocations Policy, which is being reviewed.

### **EQUITABLE PROVISION OF COMMUNITY FACILITIES**

The City also strives to establish sustainable living environments that support healthy lifestyles. A City project was undertaken with the Council for Scientific and Industrial Research (CSIR) to identify areas of greatest need or backlog regarding the provision of community facilities, taking into account current facilities, standards for provision, accessibility, projected population growth and the envisaged city expansion until 2016. By providing community facilities on an equitable basis, and maintaining these to uniform standards across the city, a significant step has been taken in making a commitment to Cape Town's communities regarding what they can expect when they visit or use the City's community facilities.

### **IMPROVING COMMUNITY PARKS**

The City has 3 133 community parks, of which 2 996 were maintained to a uniform standard across the city. This standard requires that every park must be mowed at least nine times per year. The City also maintains 11 district parks, 38 cemeteries and a crematorium, as well as 1 862 ha of road reserves, green belts, undeveloped public open spaces and biodiversity areas.

The City has received R30 million from the National Department of Environmental Affairs, to be used over the next three years to fund the Community Parks Maintenance Programme and capital projects at a number of parks, such as Westridge Park, the continuous planning and development of Khayelitsha Wetlands Park, Mandela Peace Park in Delft, and community parks in the Khayelitsha area. The funding will also enable community participation in the maintenance of parks, thereby creating a greater sense of community ownership as well as providing temporary employment. Extensions to the Khayelitsha cemetery and the upgrade of the Kuils River cemetery and Jack Muller Park were completed, while the Wallacedene cemetery is in the process of being upgraded.

The City's Public Park Bylaw was introduced on 10 September 2010 to regulate the admission of people, animals and vehicles to public parks, to set out the rules of use for parks and to specify prohibited conduct.

### **MAKING READING ACCESSIBLE**

The City has 98 libraries, with standard opening hours set as follows:

- The two city libraries are to be open 63 hours per week.
- The 22 regional libraries are to be open 45 hours per week.
- The 74 community libraries are to be open 35 hours per week.

There are also four satellite points as well as a mobile service consisting of three buses.

The City of Cape Town was the first South African metro to implement the new library management system known as Brocade. The system allows residents of Cape Town to utilise any library in the city, using a single library card.

On 3 June 2011 the City's newest public library was opened in Harare, Khayelitsha. The library was built in partnership with the VPUU organisation, with funding from the Carnegie Corporation of New York, the Neighbourhood Development Partnership Grant, and conditional grant funds from the National Department of Arts and Culture. The library is one of the first in South Africa to feature a gaming room, and also offers an early childhood development (ECD) centre known as Funda Udlale, which caters for children up to the age of 6.

### **CITY BEACHES ARE THE BEST**

Six of Cape Town's beaches earned Blue Flag status during the year under review, while two received pilot Blue Flag status. In addition to recognising the cleanliness and safety of the beaches, the awards are also only issued to beaches that have adequate ablution facilities and parking, are environmentally sound and adhere to international tourism standards. Also, Lonely Planet, one of the world's leading multifaceted travel resources, listed Cape Town as the second best of the world's ten best beach cities in 2011. Cape Town is described as "good-looking, fun-loving, sporty and sociable".

### **KEEPING CAPETONIANS ACTIVE**

Major upgrades to the Mfuleni and Lwandle sports complexes were completed and new multipurpose centres were built in Bardale and Eerste River. The development of the new sports complex in Witsand, Atlantis, is at an advanced stage. Of the City's 180 halls, 171 were maintained according to specified standards, while the remaining nine underwent major repairs and maintenance. Also, 503 fenced formal sports fields now comply with defined levels of grass cover. In addition, the City maintains 28 beaches, 14 resorts and 37 swimming pools.



Cape Town is listed as the second best of the world's ten best beach cities.

# Safety and security

## What we set out to do:

- Foster a safe and secure environment

## What we achieved in 2010/11:

- Achieved a 28% reduction in accidents at high-frequency locations
- Achieved a 45% increase in arrests for drug-related crimes
- Reduced 76% of emergency response times to below the 14-minute target

SFA 06



Fire and Rescue Services responds to fires and emergencies as well as medical rescues.

The areas of responsibility of the City of Cape Town's Safety and Security Directorate include crime prevention, traffic law enforcement, bylaw enforcement, disaster risk management, fire and rescue, as well as operating an emergency call centre.

### **POLICING DEPARTMENTS**

The City's three policing departments are Metro Police, Traffic Services, and Law Enforcement and Specialised Services. The objectives and priorities of these departments are set out in the City's overarching Law Enforcement Plan, which includes the Metro Police's legally required Annual Police Plan. The plan aims to ensure the integrated delivery of efficient policing services.

#### **Combating crime and disorder**

The primary operating focus of the Law Enforcement Plan is the combating of anti-social behaviour, such as public drinking and drunkenness, riotous behaviour, excessive noise and disturbances, and other offences that have a negative impact on citizens' quality of life.

A total of 89 206 citations were issued for bylaw offences across the city during the period under review. Significant results were also achieved in the combating of illegal land invasions, with a total of 95% of cases having been successfully dealt with, thereby effectively preventing land invasions. The City's Vice Squad also contributed to the combating of human trafficking by rescuing 15 victims from suspected traffickers.

The Metals Theft Unit undertook 207 operations and arrested 139 suspects.

#### **Externally funded member programme**

In December 2007, the City adopted a policy that allows the private sector, the city improvement districts and other agencies to sponsor the deployment of members of the City's policing departments, and secure dedicated services for agreed patrol areas. The City continued to expand this initiative over the past year, with 23 additional law enforcement officials deployed and 20 traffic wardens, funded by OUTsurance, stationed at traffic hot spots across Cape Town.

#### **Reservist member system**

Reservist members can significantly boost safety and security deployment numbers, which is why the City has adopted a policy that allows residents to become reservist members of the Law Enforcement and Specialised Services Department. An implementation plan has been finalised and it is expected that this initiative, which will target the recruitment of neighbourhood watch members, will be implemented in the new financial year.

#### **Neighbourhood watch assistance**

The City's neighbourhood watch assistance programme was initiated in August 2008 and has as its main objective the strengthening of local communities' capacity to prevent crime and disorder. A total of 941 neighbourhood watch members have been trained in the principles of problem-orientated crime prevention since the inception of the programme. This approach enables neighbourhood watch members to identify the underlying causes of crime and disorder, and to provide guidance on how communities can address them. Neighbourhood watches have also been issued with additional patrol equipment, and new products aimed at enhancing their effectiveness are regularly tested.

#### **Addressing the problems of drugs and alcohol**

During the year under review the Metro Police Department continued to clamp down on the illegal drug and alcohol trade across the city through intelligence-led operations aimed at flushing out dealers and disrupting their activities. The Department exceeded its arrest target for drug-related crime, with 1 381 such arrests having been made.

In addition, the Law Enforcement and Specialised Services Department's Liquor Control Unit stepped up its action against illegal liquor outlets by conducting a total of 1 086 inspections on suspected liquor trading premises. It succeeded in permanently closing down 209 shebeens. The Unit was also strengthened with the appointment of eight additional members.



## Review of the 2010/11 financial year



The City of Cape Town has well-trained staff looking after the safety and security of all residents and visitors.

### **Building a culture of compliance among City road users**

The City's Traffic Services Department has an Operations Section, which undertakes specialised and general enforcement activities as well as provide road safety education at schools, and manage traffic at all events that affect Cape Town's roads.

The successful traffic management during the 2010 FIFA World Cup™ was an example of the level of professionalism of the Department. It recently erected an average-speed-over-distance camera on the M5 freeway – the second of its kind in the country. There has been a vast improvement in the number of arrests for driving under the influence of alcohol, and a concerted effort to deal with illegal taxi operators. More than 2 000 taxis have been impounded since July 2010. In real terms, the Department issued approximately 1 853 361 fines and made 9 853 arrests for the period July 2010 to June 2011. The "Ghost Squad" concept has been extended and a partnership concluded with OUTsurance for the appointment of point men. This project is now being developed even further.

During the 2010/11 period, the City managed to reduce the number of accidents occurring at identified accident hot spots by 28%. While this figure is pleasing, the City will continue to focus on reducing its accident rate through active policing and education of road users. A key challenge remains obtaining accurate statistics on the exact location of accidents in order to focus and coordinate prevention efforts.

The Traffic Department's Licensing and Lipro Section deals with all learner's and driver's licence testing as well as card conversions and renewals. It also manages the Traffic Court Division as well as the PPP agreement on traffic cameras. The Licensing Section provides vehicle testing at eight testing centres. Learner's and driver's licences as well as card licences are issued on an agency basis for Province in exchange for agency fees. The turnaround times for learner's and driver's licence applications and testing have improved considerably to an average of four months or less from the previous waiting period of six months or more.

### **EMERGENCY SERVICES**

City Emergency Services comprises the 107 Emergency Call Centre, the Fire and Rescue Service and the Disaster Risk Management Centre.





Metro Police is one of three policing departments in the City delivering on an overarching Law Enforcement Plan.

### Fire combating and rescue services

The City's Fire and Rescue Service, established in terms of the Fire Brigade Services Act (Act 99 of 1987), responds to fires and emergencies as well as medical rescues. In the period under review the service responded to, and dealt with, 36 956 emergency incidents. It has implemented programmes to educate and raise awareness around fire and life safety at various at-risk communities, as well as programmes on building, structure and events safety. The fire training facility at Epping is registered to provide educational and awareness fire training. The service has benefited from significant investment over the last few years due to 2010 FIFA World Cup™ funding, which has moved it fractionally closer to complying with the SANS 10090 code for community protection against fire. It provides employment for 120 additional seasonal firefighters to assist with veld fire management over the summer season.

### Reducing emergency response times

The City has set itself a target of responding to at least 80% of all fire and other emergency incidents within 14 minutes from receiving the call to arrival on the scene. During the period under review fire and rescue units achieved a 76% compliance with this target. This marginal underperformance is the result of numerous variables, the most significant of which was the non-availability of emergency vehicles, appliances and, especially, staff at fire and rescue stations. This situation can best be addressed by ensuring that the Fire and Rescue Service receives the budget and resources to operate at full strength in accordance with the SANS 10090 code.

The capacity of the City's 107 Emergency Call Centre was enhanced to ensure a continued acceptable level of service to the community in life-threatening and property-threatening situations. This included the recruitment of personnel involved in dealing with distressed callers, as well as the recruitment of public education and awareness staff tasked with visiting areas within the community actively to promote the availability of the service and to encourage safety within the home, school or workplace. In addition, the technology supporting the centre was migrated to a new, locally developed call-taking application. While many nuisance calls are received on the toll-free lines, the centre still managed to answer 96% of all calls within 20 seconds.

# Review of the 2010/11 financial year

## Disaster risk management

In terms of the Disaster Management Act (Act 57 of 2002), the City has a clear mandate to prevent and mitigate the effects of disasters. During the period under review, the Comprehensive Disaster Risk Assessment has been effected by prioritising the identified hazards, and systematically formulating disaster risk management plans as part of preparedness and disaster risk deduction measures.

The City of Cape Town's 2010 FIFA World Cup™ Strategic Disaster Risk Management Plan was developed to focus on risk reduction, preparation, planning and response initiatives before, during and after the event. Largely due to this meticulous, detailed planning, the event was free of major incidents and problems.

During the period under review, the Disaster Risk Management Centre approached the Jungle Theatre Company to research and create an interactive, community-based, educational industrial theatre programme to highlight the dangers of fires and floods in informal settlements. The plays are based on the City of Cape Town's "Protect yourself from fire and floods" pamphlets. The programme toured 40 high-risk informal settlements with a presentation of 20 "Spirit of Water" performances ahead of the winter season and 20 "Spirit of Fire" performances ahead of the fire risk season.

In light of the recent fire disasters at retirement facilities elsewhere in the country, a decision was made to take proactive action and implement an integrated approach to risk reduction at similar facilities in Cape Town. To this end, a collaboration between the Disaster Risk Management Centre, Fire and Rescue Service and 107 Emergency Call Centre resulted in a full review and update of all emergency plans, fire prevention inspections and a public awareness and education campaign, to ensure compliance with relevant legislation. This process culminated in the testing of the updated emergency plans at these facilities, and the issuing of certificates of preparedness, where applicable.

## 2010 FIFA World Cup™

The Safety and Security Directorate contributed significantly to the successful hosting of the 2010 FIFA World Cup™ in June/July 2010. For nearly two years preceding the event, the Metro Police, Traffic Service, Law Enforcement and Specialised Services, Disaster Risk Management and the Fire and Rescue Service worked with the South African Police Service (SAPS) on a coordinated strategy. During the event, these departments maintained high levels of staff deployment, service delivery and professionalism, which resulted in an extremely high degree of safety for residents and the thousands of fans who flocked to Cape Town during this period.

## Recognising exceptional staff members

The City's Safety and Security Directorate celebrated Women's Day on 9 August 2010 by recognising the unique contribution made by all women of the various departments in making Cape Town a safer city for all. Prizes were awarded to women in the service who were deemed to have delivered consistently exceptional service. Award categories included leadership, mentoring and performance excellence. This has now become an annual event.

Following the approval of the Incentives, Medals and Awards for Bravery and Meritorious Service Policy with a view to members in the Safety and Security Directorate, the first annual awards ceremony was held in 2010. This recognition policy is aimed at enhancing the endeavours of those involved in creating and fostering a safer city for all. It is believed that by recognising staff in this way, higher moral values and improved productivity and outputs will be encouraged in the long term.

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40 HIGH-RISK  
INFORMAL  
SETTLEMENTS  
TOURED

36 956

36 956 EMERGENCY  
INCIDENTS WERE  
RESPONDED TO,  
AND DEALT WITH



The City has a clear mandate to prevent and mitigate the effects of disasters.



# Health, social and community development

## What we set out to do:

- Facilitate the development of a healthy and socially inclusive society

## What we achieved in 2010/11:

- Limited the number of days when air pollution exceeded World Health Organisation (WHO) guidelines to 55
- Gazetted the Air Quality Bylaw in August 2010
- Reduced the prevalence of antenatal HIV (human immunodeficiency virus) (excluding known positives) to 9,7%
- Slowed the rate of increase in tuberculosis (TB) to 826 per 100 000
- Implemented 30 targeted development programmes

SFA 07



In partnership with Province, City Health provides a comprehensive primary health-care service at clinics across the City.



### IMPROVING QUALITY OF LIFE

In the broader South African context sharp differences between socio-economic levels pose challenges for Cape Town. Crime, gangsterism, drug-related behaviour and poverty remain realities in the city. A comprehensive anti-poverty strategy is required to address the economic and social needs of Cape Town's poor. Cape Town remains focused on the challenge of reducing the spread and impact of HIV/Aids, sexually transmitted infections (STIs) and tuberculosis (TB). These health issues impede sustainable development, which is why the City has prioritised the fight against these diseases by adopting a multi-sector strategy to contain, reduce and treat them, as well as address the underlying causes of their continued spread.

In partnership with Province's Health Department, the City Health Directorate currently operates according to a service-level agreement, which guides the delivery of shared health services at 82 clinics, five community health centres (CHCs), 22 satellite clinics and four mobile clinics.

These facilities ensure the provision of comprehensive primary health care (PHC) and maternal and child health services, including preventive and promotional programmes. The Directorate focuses primarily (although not exclusively) on three key objectives:

1. The provision of effective PHC services in partnership with Province, and with a special emphasis on maternal and child health care and HIV/Aids, STIs and TB
2. The provision of effective environmental health services, including air quality management, pollution control and noise pollution
3. Addressing substance abuse across the city

In meeting these objectives, the City is faced with a number of challenges, the most pressing of which are:

- a high medical and health-care staff turnover and the resulting pressures on remaining care workers;
- an increasing burden of disease (BOD) and steadily rising patient numbers, with no comparable increase in staff or budget;
- rising costs of medicine and laboratory tests, much of which far outstrips inflation; and
- general issues of security for City staff and clients.

### ENSURING AIR QUALITY

Over the past financial year air pollution in Cape Town exceeded WHO guidelines on just 55 days. This represents a significant improvement on the 111 days of the previous year, and well exceeded the target of 135. The vision of the Air Quality Management Plan (AQMP) is to achieve and maintain clean air in the city over the next ten to 20 years, and turn Cape Town into the African city with the cleanest air. The plan is designed to reduce the adverse health effects of poor air quality on the citizens of Cape Town, especially during "brown haze" episodes. Currently, the development and implementation of the plan are informed by the findings of five working groups dealing with:

- air quality monitoring and standards;
- health;
- public awareness and education;
- the Khayelitsha Air Pollution Strategy (KAPS); and
- transport planning and vehicle emissions.

As part of this plan the City's new Air Quality Bylaw was adopted by Council on 31 March 2010 and was gazetted in August 2010.

## Review of the 2010/11 financial year

### **CARING FOR CITIZENS IN INFORMAL SETTLEMENTS**

The City aims to ensure that an environmental health practitioner visits every informal settlement in Cape Town at least once a week. This represents a target of 13 344 visits in total. During 2010/11 this target was exceeded, with 15 519 visits having been undertaken by environmental health practitioners. The number of informal settlements that do not have weekly refuse removal, do not meet functioning sanitation norms, and do not have functioning standpipes within the norm is reflected in the City Health Directorate's quarterly reporting. Often, this relates to maintenance requirements as well as difficulties providing these services due to space constraints. Environmental health representatives work closely with the relevant City directorates in an effort to address such situations timeously, and limit any negative consequences to the health of communities in the affected areas.

### **HIV/AIDS**

Efforts to address, prevent and treat HIV form a key strategic programme within the City Health Directorate. These are delivered in partnership with Province. Currently, City Health offers antiretroviral therapy (ART) at 20 sites throughout Cape Town.

Against a target of 19,6%, the City achieved a reduction in the prevalence of antenatal HIV (i.e. HIV in pregnant women) to 9,7% in the 2010/11 financial year. This excludes known positives. The citywide Get Tested campaign is ongoing, with numerous outreaches at shopping malls and other public places to encourage citizens to determine their HIV status. In the period under review, daily HIV testing was also offered free of charge at all City health facilities.

### **KEEPING TB UNDER CONTROL**

The TB rate of increase per 100 000 residents continued to slow over the past year, reaching a figure of 826, which surpassed the target of 1 120 for the year. The cure rate for new smear-positive TB for the third quarter of 2010 was 81,9%, with all subdistricts having achieved over 80% for the first time. The significance of this achievement is evident when viewed against the trend in 2004. The City's cure rate for new smear-positive TB was once again the best of all metropolitan areas in the country.



The citywide Get Tested campaign is ongoing.



**CHILD HEALTH (INFANT DEATHS)**

The number of deaths of children under the age of one is a good overall measure of the state of health of the citizens and residents of Cape Town. In 2009, the city's infant mortality rate rose slightly, to 20,76 out of every 1 000 births. However, this still compared very favourably with the national rate of more than 50. At the time of producing this report, figures for 2010 were still being captured.

**ADDRESSING SUBSTANCE ABUSE**

The City of Cape Town recognises that the harmful use of alcohol and other drugs affects the well-being of users, their families and the broader society. The draft Alcohol and Other Drug Harm Minimisation and Mitigation Strategy: 2011–2014 (version 13) details the City's strategic plan to minimise and mitigate the harm of alcohol and other drug (AOD) use (including tobacco use).

During the period under review, the outpatient substance abuse treatment centres at Tafelsig, Table View and Delft South clinics continued to do excellent work among sufferers of substance abuse from surrounding communities. A fourth centre, which is operated from the Stocks & Stocks Building in Khayelitsha, will be relocated to the Town 2 clinic. This move is currently in the planning phase, and construction will take place in the 2011/12 financial year. Together, these centres assisted 1 180 clients during the year under review.

**TARGETED DEVELOPMENT PROGRAMMES**

During the period under review, the City implemented 30 targeted development programmes, significantly exceeding its objective of 20 programmes for the year. These programmes are aimed at having a sustainable positive impact on the social fabric of communities through focused training and skills development among low-income individuals and groups.

## > 06 City takes silver at Pietermaritzburg Flower Show

The City was awarded a silver medal for its "Dreams & Desires" display at the *Sunday Tribune* Garden and Leisure Show in Pietermaritzburg in September 2010. Through its participation in this show, the City was able to demonstrate its depth of horticultural creativity, expertise and talent, while also showcasing the natural beauty of Cape Town.

**QUALITY ASSURANCE**

The City runs a quality assurance programme that involves the accreditation of health facilities by an external organisation, namely the Council for Health Service Accreditation of South Africa (COHSASA). In addition to having the highest number of accredited clinics in the country (22), Cape Town's 16 environmental health offices are also fully accredited. This ensures that health-care standards are monitored, and the quality of services is maintained and constantly improved.

## >07 Coaching for Hope empowers women through football

The City of Cape Town has partnered with Skillshare International and six community-based “sport for development” organisations to implement the Coaching for Hope programme in Masiphumelele, Lwandle, Mitchells Plain, Bishop Lavis, Langa and Gugulethu. The project aims to empower girls and women, and promote gender equality through football. The community-based organisations will manage the local delivery of the project through the establishment of a women’s football club in each community. The programme uses football as a development tool for women and girls by involving them in regular activities and teaching them leadership and life skills.



The Coaching for Hope programme uses football as a development tool for women and girls.

## COMMUNITY DEVELOPMENT THROUGH SPORT, RECREATION AND LIBRARY PROGRAMMES

Cape Town's community development programmes are an integral component of the development of the City's social fabric. Programmes are offered at many of the City's facilities, such as its sports fields, community centres, multipurpose centres, libraries and community halls. The programmes often involve collaboration and partnerships with churches, community organisations, non-governmental organisations (NGOs), the corporate sector, different tiers of government and other stakeholders. A variety of developmental activities are on offer, ranging from storytelling, school holiday programmes, library orientation sessions and reading programmes, to initiatives for peer leadership, sport and recreation, and capacity building.

During the period under review, Rocklands Library was recognised as the best youth library in the annual Provincial Arts and Culture Awards. This was the sixth consecutive year in which Cape Town libraries won a provincial award of this nature. In presenting the award, the Provincial Minister of Education acknowledged Rocklands Library for its work in the community and its involvement in education in the area.

### SPORTING PARTNERSHIPS

During the past financial year, the City engaged in many partnerships to promote the development of sport. Among these was the Royal Cape Yacht Club sailing development partnership, which promotes the development of sailing skills and creates a life experience of sailing among youth, particularly from disadvantaged communities. The City and Santos Football Club also partnered in Project 5000, which uses sport, in particular soccer development, to promote healthy living among youth as well as to encourage a culture of spectator support for soccer at Athlone Stadium.

### RECREATION HUBS TO BENEFIT RESIDENTS

In June 2011 the City officially opened its first ten recreation hubs in Bonteheuwel, Belhar, Delft, Athlone, Cathkin, Duinefontein, Hanover Park, Gugulethu, Crossroads and NY49. These hubs form part of a City strategy to bring sustainable activities and programmes back to identified community centres. They will be run primarily by volunteers, and offer residents and communities a wealth of positive recreational activities.

The City of Cape Town commissioned a baseline survey to assess residents' participation levels in sport and recreational activities. The survey is also designed to identify any barriers to participation. The research was the first of its kind to be conducted by any municipality in the country and the findings will be used to prioritise service delivery and recreational facilities according to community preferences.

### MAKING BEACHES ACCESSIBLE TO ALL

During the 2010 festive season the City made nine of its beaches more accessible to people with disabilities by introducing beach-friendly wheelchairs. The wheelchairs can roll across sand, double as beach lounge chairs, and can be pushed into the water for swimming. The beaches at which these wheelchairs are offered were selected based on various criteria, including the presence of lifeguards, accessibility of the beach to wheelchair users, designated disabled parking space and appropriate ablution facilities.



During the 2010 summer beach-friendly wheelchairs were introduced to nine City beaches.

# Good governance and regulatory reform

## What we set out to do:

- Ensure enhanced service delivery with efficient institutional arrangements
- Manage key financial and governance areas, such as income control, cash flow, indigent support, alternative income opportunities, asset and risk management
- Establish effective community engagement channels

## What we achieved in 2010/11:

- Received eighth consecutive unqualified audit from Auditor-General
- Maintained City's credit rating of Aa2.za (long-term) and Prime -1 (short-term) for sixth consecutive year
- Spent 77% of capital budget
- Spent 95,8% of operating budget
- Achieved a score of 35% of employees who are "truly loyal" in the employee climate survey – a 12,9% increase on the previous score

SFA 08



The City of Cape Town is funded by public money and is therefore expected to exercise the highest levels of good corporate governance.





## EIGHTH UNQUALIFIED AUDIT

For the eighth consecutive year, the City of Cape Town received an unqualified audit from the Auditor-General. This confirms that the City continues to comply fully with the required legal accounting frameworks for government, as well as all financial legislative requirements.

## CREDIT RATING

The City's credit rating reflects its ability to repay its long-term and short-term liabilities. In 2010/11, for the sixth consecutive year, the City maintained its credit rating of Aa2.za (long-term) and Prime -1 (short-term) from Moody's credit-rating agency.

## SUSTAINABILITY THROUGH GOOD GOVERNANCE

The City of Cape Town is funded by public money and is therefore expected to exercise the highest levels of good corporate governance.

This goes far beyond compliance with the extensive and comprehensive legislation: the City's governance systems are designed to meet or exceed the highest professional standards and recommendations.

The term "corporate governance" refers to the set of laws, processes, customs, policies and institutions that affect the way in which an organisation such as the City is directed, administered or controlled. It also includes the relationships among the many stakeholders in the City, and the goals for which the City is administered. Many aspects of corporate governance, such as an independent audit committee, are legal requirements set out in the legislation that applies to municipalities, and are monitored by authorities and institutions such as the national Auditor-General.

However, truly effective governance goes beyond legislative compliance; it embraces local and international best practice; and strives to strengthen the professional standards and ethics within the organisation. The City is one of the first municipal entities to have taken several important measures: the formation of a Standing Committee on Public Accounts (SCOPA), the institution of an anti-corruption hotline, the formal adoption of the King Code of Governance Principles for South Africa, 2009 (King III), as well as the development and implementation of a combined assurance framework.

The King recommendations are considered to be one of the best codes of governance worldwide, and King III has broadened the scope of governance into one where the core philosophy revolves around leadership, sustainability and ethical corporate citizenship.

## COMBINED ASSURANCE

As per King III, a key principle of good corporate governance is that a combined assurance model should be applied to provide a coordinated approach to all assurance activities. This combined assurance must be sufficient to satisfy the Audit Committee that any significant risk areas facing the organisation are adequately addressed. The Internal Audit Directorate developed a combined assurance framework, which details key assurance providers, roles and responsibilities, as well as the type, level and frequency of interaction required. In line with National Treasury guidelines, assurance providers are categorised according to the "three lines of defence" model:

**First line of defence** – Management is responsible for establishing, maintaining and ensuring proper governance, risk management and internal control processes. Management should consider risks, determine how much risk is acceptable and strive to maintain risk within those parameters. Management should provide at least partial assurance in all areas. Their reports and associated representations will offer the Audit Committee significant assurance of a well-managed organisation.

**Second line of defence** – This constitutes functions that provide significant assurance or, in some cases, "reassurance" that management is indeed on top of the regulatory, statutory, environmental, ethical and quality requirements and associated risks critical to the ongoing and future success of the organisation.

**Third line of defence** – This is made up of independent assurance providers and oversight committees, such as Internal Audit, External Audit, the Audit and Performance Committee, SCOPA and the Civilian Oversight Committee (CIVOC).

## Review of the 2010/11 financial year

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The combined assurance framework was approved by the Audit Committee, and implemented by Internal Audit and other assurance providers.

The Internal Audit Directorate, with input from other assurance providers, reports quarterly to senior management and the Audit Committee on the implementation of the combined assurance framework. The framework will be evaluated and reviewed annually to ensure its adequacy, effectiveness, efficiency and relevance. Each oversight committee has specific terms of reference and requirements regarding its composition.

### **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

Internal Audit assisted SCOPA in creating work methods that have resulted in establishing a best-practice model for the rest of the country. SCOPA's oversight role has become more established in the City, as indicated by the matters referred to it for investigation and recommendation, which were supported by Council for implementation. SCOPA successfully conducted the oversight process, which included reviewing the City's annual report and holding management accountable for the handling of public funds and resources. The SCOPA terms of reference were approved by Council on 31 May 2006. Membership is defined by Council and comprises councillors representing various political parties. The Committee is chaired by a councillor from the opposition party.

### **77% OF CAPITAL BUDGET SPENT**

During the period under review, the City spent 77% of its capital budget. This was below the 80% target for the year, but was largely due to circumstances beyond the City's control. A late transfer of R168 million for the IRT from National Government was impossible to spend in the short time available. Added to these capital spending limitations, extensive delays in the arrival of plant and equipment from Japan due to the tsunami that devastated parts of that country as well as the shortage of bitumen in the Western Cape put further pressure on capital projects, and limited the City's ability to meet its capital budget targets.

The majority of the City's underspending relates to transport, roads and major projects (TRAMP), and has not severely affected other areas of service delivery. The City has taken the necessary steps to mitigate these risks going forward and to enable the achievement of its 80% capital expenditure target in the coming financial period.

### **THE ANTI-CORRUPTION HOTLINE**

The City has a dedicated anti-corruption hotline, which may be used to report any instances of alleged corruption involving City officials.

Any employee or member of the public may call the City's toll-free anti-corruption hotline on 0800 32 31 30 to report suspected corruption.

The City is always grateful to employees who assist in ensuring that its officials deliver the highest possible level of service. This hotline has greatly assisted Council in rooting out corruption. The City adopts a zero-tolerance approach to all forms of corruption. When a case of alleged corruption is reported to the hotline, it is logged for investigation. If the investigation proves that the allegation is true, the City takes action to deal with the offender. The prosecution of officials for corrupt activities serves as a warning to other officials that this sort of conduct will not be tolerated. Anyone who calls the hotline will be asked to provide details of the incident, the names of the individuals involved and the date(s) on which the incident occurred.

### **MEASURING COMMUNITY SATISFACTION**

The City of Cape Town's annual Community Satisfaction Survey provides invaluable insights into the perceptions of Cape Town residents and businesses of the services rendered by the City. The results of the survey are used to inform operational planning and service delivery improvement.

In October and November 2010 the fourth annual survey was conducted by a contracted independent service provider, who, using statistically valid and reliable samples, completed 3 000 face-to-face interviews with Cape Town residents and 700 telephonic interviews with Cape Town businesses.



The results of the 2010/11 survey revealed that overall perceptions of the performance of the City of Cape Town have increased significantly, with respondents generally indicating that services have improved across most of the City's service delivery areas. A summary of the main results follows below:

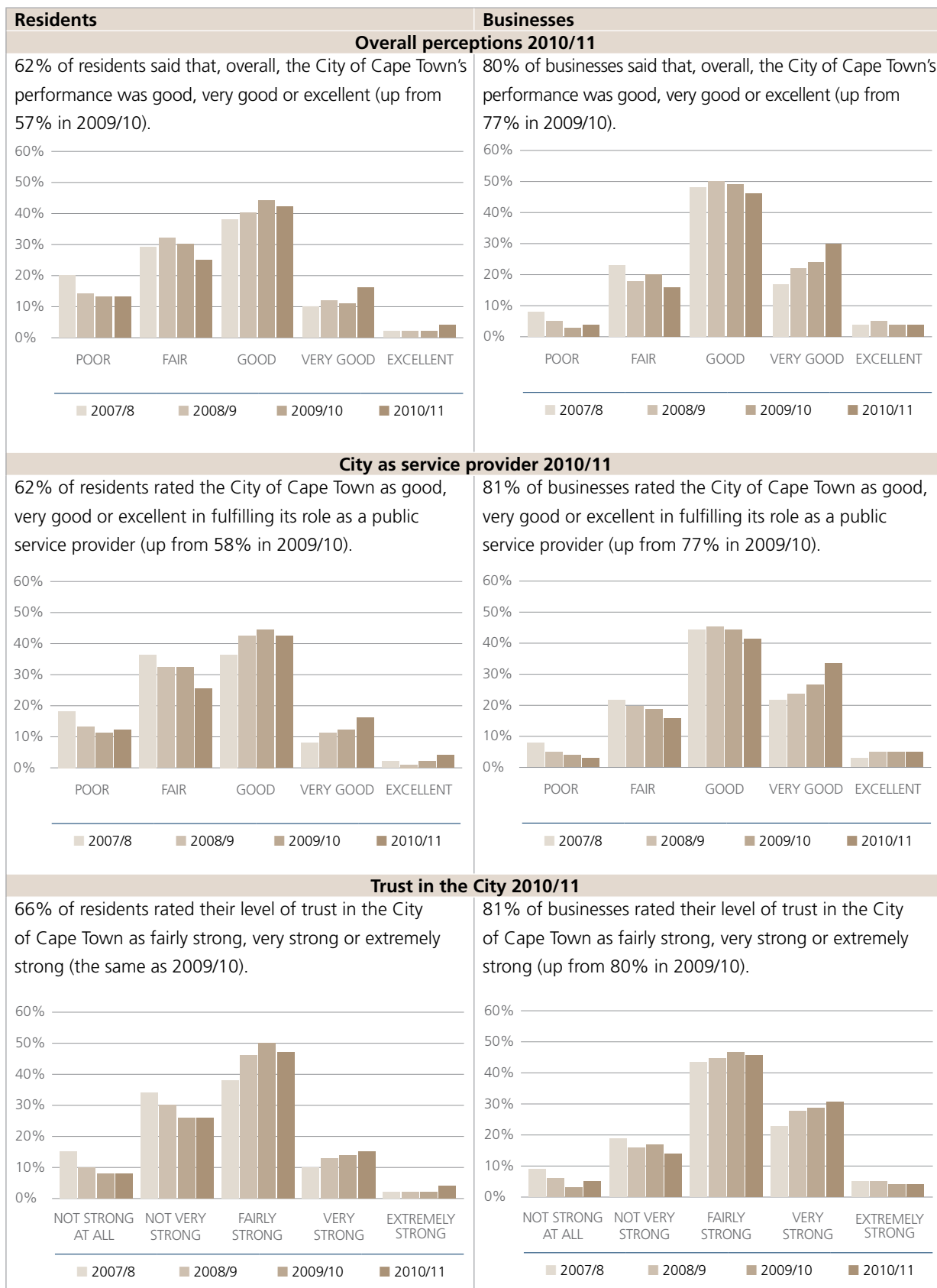


Figure 17: Main results of the 2010/11 Community Satisfaction Survey (continues on next page)

## Review of the 2010/11 financial year

Residents	Businesses
<b>General findings 2010/11</b>	
<p>Essential services (refuse collection, sewerage and sanitation, stormwater, electricity and street lighting) continued to be an area of relative strength for the City, except for perceptions regarding affordable electricity, over which the City has limited control.</p> <p>Water services, previously one of the highest-rated services, showed some decreases, particularly in terms of the management of water restrictions and the affordability of water.</p> <p>Libraries were the highest-rated service within the City's community services, followed by stadiums, recreation and community centres, civic halls and beaches. The maintenance of parks and the equipment in parks were the only community services with a below-average performance.</p> <p>Nature reserves were rated highest in environment and conservation, showing a significant improvement from the previous survey.</p> <p>Law enforcement scores remained relatively stable. Action against illegal dumping, illegal land settlement, and noise and other disturbances needs to be further addressed.</p> <p>Fire and emergency services continued to be important to residents and have shown some improvement, particularly in terms of the training and quality of service of emergency rescue workers.</p> <p>Health is a key concern for the people of Cape Town. While scores remained average to low, especially concerning waiting times at clinics, all scores have shown some improvement on last year, 2009/10.</p> <p>Housing scores have shown some improvement in the provision of housing options for the poor and acquisition of more land for subsidised housing. Managing the growth of existing informal settlements requires urgent attention. Poor perceptions of these services are affecting the City's overall rating.</p> <p>Public transport perception scores continued to rise.</p> <p>Perceptions of the Mayor and of senior City management in dealing with City issues have improved from 2009/10.</p> <p>Residents' main identified priorities for the City remained job creation, crime prevention and the provision of housing. Fighting corruption remained a priority, but has shown some decline since last year. Access to primary health care is increasing in importance.</p>	<p>The City's service delivery in terms of billings, payments and essential services remained highly regarded by businesses.</p> <p>Key priorities for businesses remained the continued work by the City to reduce corruption, and to ensure roads are maintained and potholes fixed.</p> <p>Other areas requiring attention are greater visible presence of traffic law enforcement on the roads, metro police in areas of business, and the provision of safe and affordable public transport – although these have shown some improvement.</p> <p>An area that is becoming a major concern for business is affordable electricity tariffs and reasonable water rates. These are starting to affect how businesses rate the City's overall performance.</p> <p>When it comes to the City's interaction with businesses, there was a decline in perceived performance since 2009/10.</p> <p>Businesses were asked to what extent they benefited financially from the 2010 FIFA World Cup™. Only 7% of the business surveyed indicated that they had derived great financial benefit, while 66% said they had experienced none.</p> <p>54% of businesses rated Cape Town as an excellent World Cup host, 35% said very good, and 8% rated it as good. Overall, 87% of businesses were very positive that the City used the World Cup to position Cape Town for sustainable economic growth and development going forward.</p>

Figure 17: Main results of the 2010/11 Community Satisfaction Survey (continued)

## STAYING IN TOUCH

The City's corporate call centre answered a total of 947 131 calls for the period 1 July 2010 to 30 June 2011. The calls were answered in the customers' preferred language (English, Afrikaans or Xhosa) and were recorded. The majority of calls related to accounts and service enquiries and requests.

The Customer Relations Department continued to install free-call lines in municipal buildings, such as community halls, libraries and housing offices located in outlying areas and disadvantaged communities. By 30 June 2011 a total of 34 free-call lines had been installed. Free-call lines aim to improve access to service delivery through the City's call centre. Residents can use the free-call lines to report faults, register complaints and make enquiries at no personal cost.

In addition, the Customer Relations Department participated in a call centre learnership for unemployed work seekers, in cooperation with an external organisation. Altogether 20 learners received call centre knowledge and practical working experience within the municipal working environment.

An independent service provider conducted a satisfaction survey among users of the City's call centre in 2011. Of the total respondents surveyed:

- 97% indicated that they were served in the language of their choice;
- 94% were satisfied with the range of services offered;
- 84% of respondents experienced consistent quality of service;
- 81% indicated that the call centre provides excellent service; and
- 90% of the respondents indicated that they have confidence in the corporate call centre.

## MUNICIPAL ENTITIES

The City has two municipal entities, namely Cape Town International Convention Centre (CTICC) and the Khayelitsha Community Trust (KCT).

### CTICC

As an asset of the City of Cape Town, the CTICC is expected to realise a profit for the City, as its primary shareholder, while also delivering on its mandate to benefit the city and its people by contributing to economic development and job creation, and raising the profile of Cape Town as a first-choice national and international tourist destination. During the past financial year, the CTICC again delivered on all these requirements, generating R143,3 million in revenue, contributing R2,68 billion to national gross domestic product (GDP) and creating 7 870 new jobs.

### KCT

To meet its objective of facilitating affordable residential development in the Khayelitsha business district, the KCT has entered into a memorandum of understanding (MoU) with the Cape Town Community Housing Company. This covers the implementation of institutional subsidy units and top-loan funding that will be obtained from the National Housing Finance Corporation (NHFC). Alternative sources of funding are also being investigated, and an equity-raising strategy is being developed. Negotiations with the Passenger Rail Agency of South Africa (PRASA) have been conducted and a development framework has been drawn up and sent for City approval.







INSIDE THE CITY OF CAPE TOWN

# Cape Town's public transport launched several new MyCiti services, including the first main route between the Table View and the city centre and four feeder bus services

INTRODUCTION

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CHAPTER TWO

**CHAPTER THREE**

CHAPTER FOUR

CHAPTER FIVE

ANNEXURES

# Inside the City of Cape Town

## CITY FRAMEWORKS

### City management and governance structures

This section provides a framework of the institutional management and governance structures through which the City implements its strategies with the appropriate resources.

### The governance structure

The model below depicts the political governance arrangements following the 2011 local government elections held on 18 May 2011. These were established in terms of the relevant sections of the Municipal Systems Act (Act 32 of 2000).

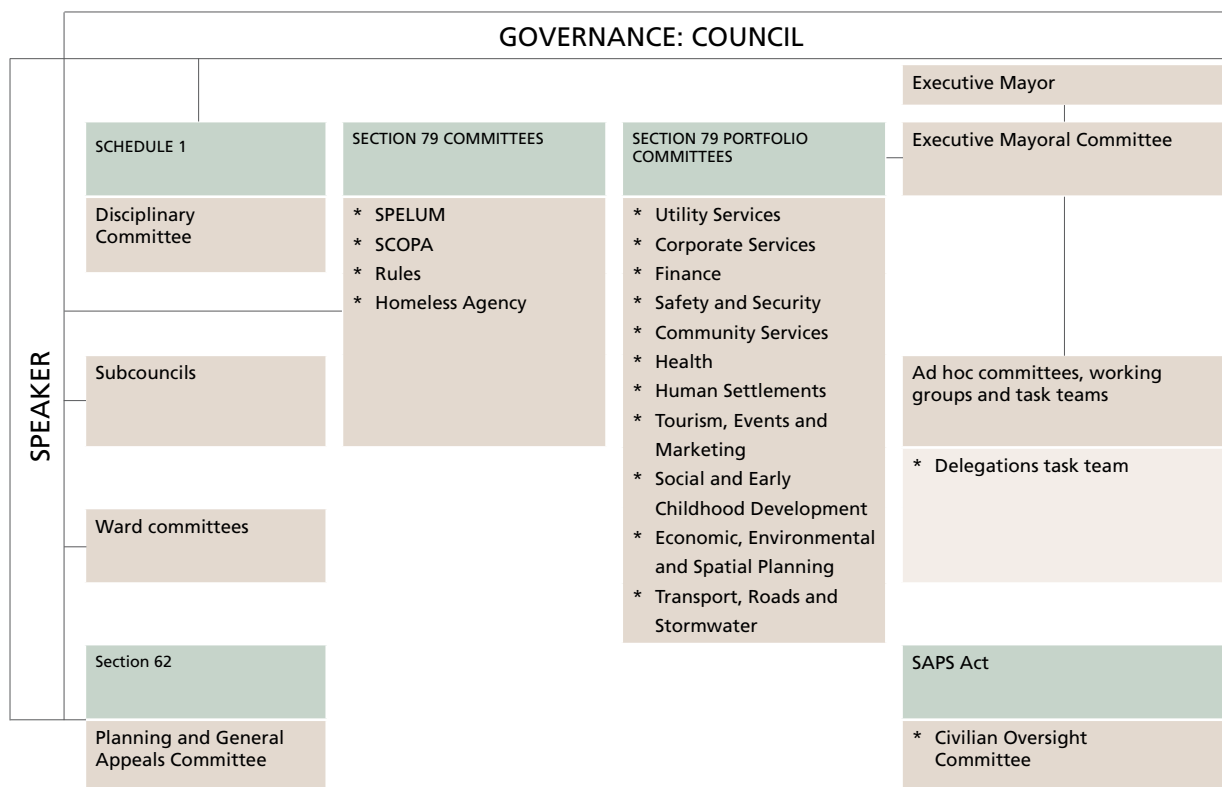


Figure 18: Political governance arrangements of the City of Cape Town

### Council

Following the local government elections, a new 221-member Council was elected. Voters in each of Cape Town's 111 electoral wards directly elected one member of Council by a simple majority of votes. The other 110 councillors were nominated to Council by a system of proportional representation (party list) from the "lists" of the respective parties.

At the inaugural meeting, Council elected an executive mayor, executive deputy mayor and a speaker. Council also appointed a chief whip, whose primary purpose is to ensure party discipline.

### Mayoral Committee

The Mayoral Committee (Mayco) is appointed by the Executive Mayor. Mayco exercises the powers, functions and duties designated to it by Council.

### Clusters and committees

#### Section 79 portfolio committees

The terms of reference of all Section 79 portfolio committees include policy formulation and implementation monitoring within their specific functional areas. Portfolio committees are chaired by councillors, who are appointed by full Council. Council established 11 Section 79 "portfolio committees" arranged in three clusters, namely:



1. corporate;
2. economic growth, development and infrastructure; and
3. community.

#### 1. Corporate cluster

This cluster comprises the following portfolio committees:

- Finance
- Corporate Services

#### 2. Economic growth, development and infrastructure cluster

This cluster comprises the following portfolio committees:

- Transport, Roads and Stormwater
- Utility Services
- Economic, Environmental and Spatial Planning
- Tourism, Events and Marketing

#### 3. Community cluster

This cluster comprises the following portfolio committees:

- Human Settlements
- Health
- Social Development and Early Childhood Development
- Community Services
- Safety and Security

#### Section 79 committees

##### Spatial Planning, Environment and Land Use Management Committee (SPELUM)

The terms of reference of this committee relate to spatial planning, town planning, the environment and other related matters.

##### Standing Committee on Public Accounts (SCOPA)

This is the mechanism through which Council exercises oversight over the expenditure of public money. As far as financial management is concerned SCOPA enables Council to fulfil its constitutional obligation to scrutinise and oversee executive action, by holding the accounting officer and councillors accountable for their spending of ratepayers' money and their stewardship of public assets in order to ensure regular, economical, efficient and effective local government spending.

SCOPA conducts its affairs in a non-party political manner so as to maximise the effectiveness of its work. The committee ensures that the City's oversight report, as envisaged in section 129 of the Municipal Finance Management Act (Act 56 of 2003), is prepared for adoption by Council, and investigates and advises Council in respect of unauthorised, irregular or fruitless and wasteful expenditure in terms of section 32(2) of the Act.

##### Rules Committee

The Rules Committee is concerned with the rules of procedure of Council and its committees.

##### Homeless Agency Committee

The Homeless Agency Committee is the political oversight body that ensures that both new and old issues dealing with street people (street children, adults and street youth) are adequately addressed, and that previous and future programmes undertaken by the City in this regard are properly implemented and stay on track.

# Inside the City of Cape Town

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## **Municipal Systems Act section 62**

### **Planning and General Appeals Committee**

This committee considers appeals against decisions taken in terms of delegated or sub-delegated authority by political structures, political office-bearers or councillors.

## **Schedule 1 committee**

### **Disciplinary Committee**

This committee is tasked with investigating any alleged breach of the code of conduct for councillors and making appropriate recommendations to Council. It also investigates non-attendance of meetings and imposes fines as determined by Council's rules of order.

## **Municipal Finance Management Act section 166**

### **Audit Committee**

Section 166 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), as amended, requires each municipality to have an audit committee – an independent advisory body that must advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to internal financial control, internal audit, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, effective governance, compliance with applicable legislation and any other issues referred to it by the municipal council.

King III further details the committee's responsibility for oversight of combined assurance, which is provided by management, internal and external assurance providers. Combined assurance should be sufficient to satisfy the committee that significant risk areas within the organisation have been adequately addressed and that suitable controls exist to mitigate and reduce these risks.

The constitution, membership, authority, responsibilities, reporting, accountability, meetings, proceedings and remuneration of the Audit Committee is defined in its charter (terms of reference), in accordance with the requirements of the MFMA and King III. The terms of reference are reviewed, updated and approved by Council on an annual basis.

The appointment of members of the committee is approved by Council for a term of three years and, if re-elected, members may serve for only one further three-year term. Council approves the appointment of the chairperson from the members of the Audit Committee. No councillor or employee of the City may be a member of the committee. Committee members are independent and collectively have the requisite knowledge of auditing, risk management, finance, governance, performance management, operations, information technology, relevant financial reporting and legislative frameworks.

The committee meets at least four times per annum, with minutes of all meetings submitted to Mayco and Council. The chairperson meets with the City Manager and MayCo member for Finance biannually to discuss issues of concern and give account of the committee's activities. The effectiveness of the committee is annually monitored by Mayco and Council.

## **South African Police Service Act (Act 68 of 1995)**

### **Civilian Oversight Committee**

In terms of section 64J of the South African Police Service Act, Council has appointed the Civilian Oversight Committee to ensure civilian oversight of the municipal police service.

## **Speaker**

### **Office of the Speaker**

The Office of the Speaker's responsibilities range from coordination of all processes flowing from subcouncil delegations, disciplinary investigations in terms of the code of conduct for councillors and the code of conduct for municipal employees, rules of meetings of political structures, as well as the Planning and General Appeals Committee.

## **Subcouncils**

A metropolitan subcouncil has such duties and powers as the metro council may delegate to it in terms of section 32 of the Municipal Structures Act (Act 117 of 1998), and may make recommendations to the metro council on any matter affecting its area of responsibility. A metropolitan subcouncil may advise the metro council on the duties and powers that should be delegated to it.

Subcouncils’ terms of reference are as follows:

- (a) To make recommendations to Council on any matter affecting its area of jurisdiction
- (b) To exercise any power, duty or function delegated by Council
- (c) To exercise any power, duty or function conferred upon it in terms of the Subcouncil Bylaw

**Executive Management Team (EMT)**

The EMT leads the City’s drive to achieve its strategic objectives, as outlined in the IDP that is adopted each year.

**The macro-organisational design for the City Manager and Executive Directors**

Council has aligned its senior administrative structure with the political structure. The structure is set out below:

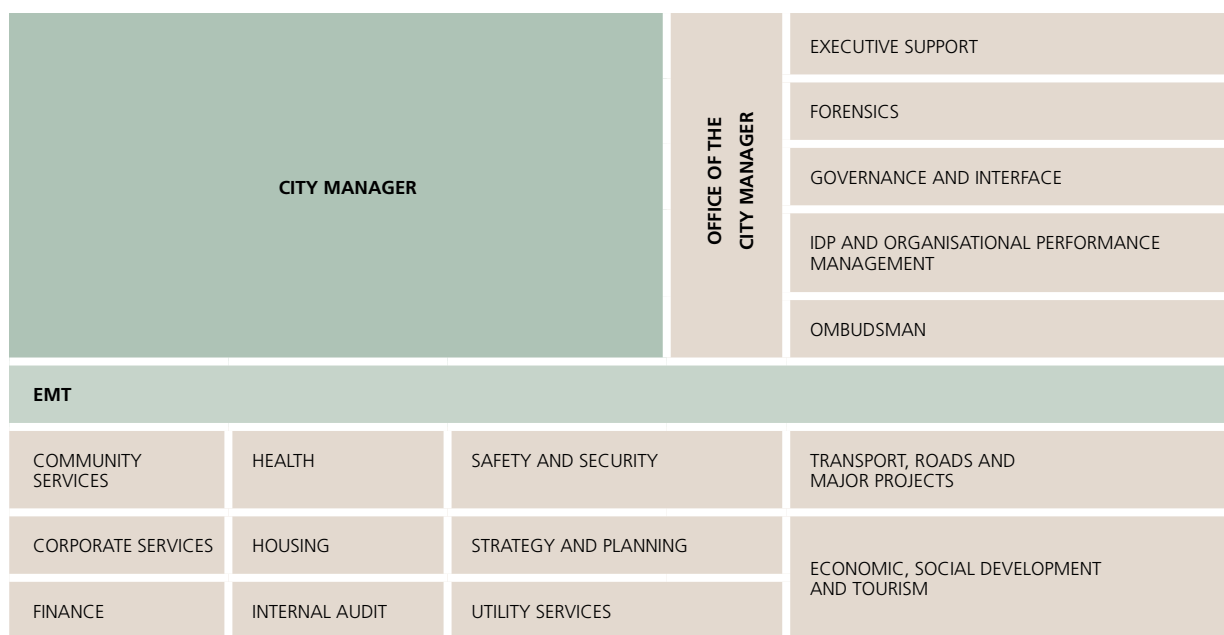


Figure 19: Macro-organisational design of the City of Cape Town

**ORGANISATIONAL REALIGNMENT**

During the period under review, the City implemented a major project aimed at stabilising the administration, called the organisational realignment process (ORP). This project placed all employees into standardised, comparable positions, on a single set of conditions of service and a single pay scale. The process included parity of payment for many employees, recognising levels of competence or experience. During the same period, the five local labour forums were established, providing a significant platform for employees to raise concerns and engage constructively on local-level issues within departments and directorates. The final phase of this roll-out is the formal evaluation of every position in the City in terms of a standard national job evaluation system called TASK. This project is well under way and is expected to take another 18 months to complete. The City has received recognition from the Department of Cooperative Government and Traditional Affairs for its Human Resources Strategy, which is embedded in the IDP, and provides direction for the various human resources interventions. The City is one of a few local authorities with such a strategy in place.



The Internal Audit Directorate set out to build and maintain stakeholder relations.

### **INTERNAL AUDIT**

The Internal Audit Directorate is an independent directorate of the City of Cape Town, and is a significant contributor to governance within the organisation. Its function is a requirement of the Municipal Finance Management Act (Act 56 of 2003), and it is largely directed by the standards for the professional practice of internal auditing of the international Institute of Internal Auditors (IIA).

The Directorate is mandated, through its charter, to provide independent, objective assurance and consulting services, geared towards adding value and improving the City's operations. It helps the organisation to accomplish its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit's plans, which are aligned with the City's strategy and most pertinent risks, are supported by senior management and approved by the independent Audit Committee. It communicates audit results to the various levels of management, including executive directors and the City Manager, as well as to other assurance providers and the Audit Committee.

#### **Outcomes for 2010/11**

##### **Execution of the annual internal audit plan**

In terms of the MFMA and IIA standards, the Directorate developed and executed its risk-based internal audit plans. A three-year rolling audit plan and a one-year operational audit plan were approved by the Audit Committee on 14 June 2010. Internal Audit reconsiders its audit plans on a quarterly basis to ensure that audit projects undertaken are aligned with the most pertinent risks. A revised operational audit plan was approved on 19 January 2011 and 94% of the planned audit projects were completed.

##### **Annual assessment of the City's internal controls**

Internal Audit provided assurance regarding the adequacy and effectiveness of controls in business processes, as well as in specialised areas such as information technology, governance, performance, sustainability, compliance and risk management. Based on the results of these audits, the Directorate provided the Audit Committee with an annual written assessment on the status of the City's internal controls for the 2010/11 financial year.

##### **Quality assurance improvement programme**

The Directorate maintained its quality assurance and improvement programme to ensure the quality of audit products and services. The programme is designed to enable an evaluation of the Directorate's conformance with the IIA's international standards and code of ethics, as well as Internal Audit's approved charter and methodology. Quality

assessments conducted during the 2010/11 financial year indicated that Internal Audit generally conformed to, and effectively carried out, its roles and responsibilities. The assessments further identified opportunities and actions to improve the Directorate's efficiency. These opportunities and actions were considered and incorporated into strategic and operational plans.

#### **Contributions to corporate governance**

- *Audit Committee* – The Directorate contributed to strengthening other governance mechanisms within the City by providing quality reports, which the Audit Committee used to exercise its oversight responsibility effectively in terms of its charter.
- *SCOPA* – Internal Audit assisted SCOPA, as the first effectively functioning SCOPA of a municipality in the country, to create work methods that have resulted in establishing a best-practice model for the rest of the country.
- *Combined assurance framework* – The Directorate coordinated and engaged with other key assurance providers regarding the implementation of the City's adopted combined assurance framework. The framework ensures a coordinated approach to all assurance activities and optimal assurance to senior management, the Audit Committee and Council.

#### **Highlights for 2010/11**

Other noteworthy Internal Audit achievements during the year under review include the following:

- Achieved a "Generally conformed" rating as per the Directorate's internal quality assessment review
- Continued roll-out of the Directorate's communication strategy
- Implemented a client account management initiative to engage proactively with all directorates
- Issued the Directorate's first annual report to provide stakeholders with an overview of its vision, mission and operations, and to highlight its achievements and performance over the last financial year
- Provided management and the Audit Committee with an annual written assessment of the status of the City's internal controls for the 2010/11 financial year
- Successfully completed the second control self-assessment project
- Coordinated National Treasury's Chartered Accountants' Academy
- Implemented a new annual audit plan approach

#### **Key projects for 2011/12**

The Internal Audit team have embarked on innovative audit techniques to enhance the value they add to the organisation. These included the following:

- **Communication strategy**

The Directorate developed a communication strategy in the 2009/10 financial year to build and maintain stakeholder relations. The effectiveness of presentations given was assessed, and action plans were developed to address Internal Audit customer expectations, support and satisfaction. The primary mechanism to enable corrective action has been the implementation of the Internal Audit account managers in 2010/11. The use of these account managers is intended to build and maintain relationships between the Directorate and its clients, with specific focus on client expectations, support, satisfaction and perceptions as described in the client account managers' approved terms of reference. The success of this approach will be monitored in 2011/12.

- **Control self-assessment**

A second control self-assessment (CSA) project was completed during the 2010/11 financial year. This formed part of the CSA roll-out to empower line management to participate in a structured manner in identifying risk exposures of selected activities, assessing the control processes that mitigate or manage those risks, as well as identifying and developing action plans to reduce risks to acceptable levels. Another three CSAs are planned for the 2011/12 financial year.

# Inside the City of Cape Town

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- **Continuous auditing**

At the commencement of the 2010/11 reporting year, the City of Cape Town's continuous-audit business case, feasibility study and the development of a strategy and operational plan were completed. Although the 2010/11 annual audit plan made provision for the full implementation of the continuous-audit operational plan and the completion of at least one business process, the continuous-audit implementation date has been delayed until 2011/12.

- **Chartered Accountants' Academy**

National Treasury is accredited by the South African Institute of Chartered Accountants as an approved training organisation, and approached Internal Audit to facilitate the establishment of the City as a primary site for training candidate chartered accountants. The training programme commenced during the 2009/10 financial year. The Directorate continued to coordinate the Chartered Accountants' Academy for the second consecutive year. There are currently two trainee accountants on site at the City of Cape Town. The Directorate will continue to coordinate this programme in 2011/12.

- **Other value-adding initiatives**

Internal Audit has included provision in its 2011/12 annual audit plan to develop and implement a consulting framework and a performance audit methodology, both of which are aimed at increasing the range of value-added services the Directorate provides to its stakeholders.

## **CORPORATE SERVICES AND ORGANISATIONAL MANAGEMENT OVERVIEW**

### **Employment equity**

The City is in the second year of its five-year Employment Equity Plan (2010–2014) and, despite progress being made in the area of transformation, challenges persist, particularly in terms of gender and people with disabilities.

The overall race equity figures show an improvement, but further progress is still required in implementing affirmative action interventions that will result in a proper balance of targets in middle-management to senior-management levels, as indicated in the staff profile.

### **Employment equity highlights for 2010/11**

#### **Disability management**

- The EEA1 declaration process, which required current City staff to declare their personal details in terms of race, gender, citizenship and disability, has yielded an increase in the recorded number of staff with disabilities from 111 to 176. More declarations are expected from the 13 000 staff members who still need to respond.
- The Employment Equity Department has formed a partnership with the colleges of higher education and tertiary institutions in Cape Town to source learners with disabilities to take up learnerships at the City.

#### **Gender and diversity management**

- The diversity facilitators conducted 92 workshops, which were attended by 1 225 staff members from various departments.
- Ten problem-specific mini-workshops were conducted, involving 300 staff.

#### **Awareness-raising and gender-sensitivity programmes**

- A Women's Day event for City staff was attended by 260 female staff members. Staff members highlighted the barriers and potential solutions to career advancement for women.
- Training in gender mainstreaming was attended by staff members who are responsible for gender programmes in the various departments, and training on the understanding and management of gender-based violence was attended by women from the Metro Police Women's Network.
- An education brochure on sexual harassment was produced and distributed to City staff.





The City of Cape Town is a metropolitan municipality that is governed by a 221-member City Council, employs more than 25 000 staff, who serve 3,7 million residents across a 2 400 km<sup>2</sup> area.

## Inside the City of Cape Town

### Monitoring and evaluation

- *Sport and recreation* – An established forum is in place, with resources allocated to support the programme and activities. The programme includes all the various activities in support of the Employment Equity Strategy.
- *City parks* – The established forum ran a programme aimed at empowering women through the appointment of females in previously male-dominated positions. The forum also conducted a needs analysis and developed a response to ensure that the work environment is conducive for female staff.

### Impact of training and development on advancement of previously disadvantaged employees

An analysis of internal advancements and promotions for the period July 2010 to June 2011 showed the positive impact of internal training and development on employment equity. During this period 11,11% of Indian females, 8,59% of African females, 7,42% of coloured females, 6,60% of African males, 5,43% of coloured males, 4,83% of white females, 4,02% of white males and 2,9% of Indian males were either promoted through internal appointments or advanced within their job family.

The bulk of the promotions arose from artisan qualifications (8,74%), matriculants moving into the clerical levels (6,28%), technical qualifications (7,86%) and professional and managerial qualifications (11,17%).

These statistics provide a healthy balance of equity and skills priorities.



An analysis of internal promotions showed the positive impact of internal training.

Table 15: City of Cape Town staff profile

City staff profile per occupational level as at 30 June 2011	* Note: Target % is based on the economically active population of the Western Cape as reflected in the 2001 Census data of Statistics South Africa.											
	Female					Male					Grand total	Disability
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total		
Current number of staff	1	1	0	0	2	1	3	0	5	9	11	0
Current %	9,09%	9,09%	0,00%	0,00%	18,18%	9,09%	27,27%	0,00%	45,45%	81,82%	100,00%	-
Target number of staff	2	3	0	1	6	2	3	0	1	6	12	0
* Target %	13,85%	23,80%	0,37%	8,08%	46,10%	15,89%	27,37%	0,55%	10,09%	53,90%	100,00%	-
<b>Senior management (T19 – T22)</b>												
Current number of staff	4	3	0	7	14	11	15	1	29	56	70	1
Current %	5,71%	4,29%	0,00%	10,00%	20,00%	15,71%	21,43%	1,43%	41,43%	80,00%	100,00%	-
Target number of staff	10	17	0	6	32	11	19	0	7	38	70	1
* Target %	13,85%	23,80%	0,37%	8,08%	46,10%	15,89%	27,37%	0,55%	10,09%	53,90%	100,00%	-
<b>Professionally qualified and experienced (T14 – T18)</b>												
Current number of staff	83	179	5	207	474	130	476	21	698	1 325	1 799	26
Current %	4,61%	9,95%	0,28%	11,51%	26,35%	7,23%	26,46%	1,17%	38,80%	73,65%	100,00%	-
Target number of staff	249	428	7	145	829	286	492	10	182	970	1 799	36
* Target %	13,85%	23,80%	0,37%	8,08%	46,10%	15,89%	27,37%	0,55%	10,09%	53,90%	100,00%	-
<b>Technically skilled and academically qualified (T9 – T13)</b>												
Current number of staff	738	1 160	13	535	2 446	610	2 247	24	937	3 818	6 264	57
Current %	11,78%	18,52%	0,21%	8,54%	39,05%	9,74%	35,87%	0,38%	14,96%	60,95%	100,00%	-
Target number of staff	868	1 491	23	506	2 888	995	1 714	34	632	3 376	6 264	125
* Target %	13,85%	23,80%	0,37%	8,08%	46,10%	15,89%	27,37%	0,55%	10,09%	53,90%	100,00%	-
<b>Semi-skilled and discretionary decision-making (T5 – T8)</b>												
Current number of staff	1 032	1 923	10	411	3 376	1 385	3 957	15	361	5 718	9 094	66
Current %	11,35%	21,15%	0,11%	4,52%	37,12%	15,23%	43,51%	0,16%	3,97%	62,88%	100,00%	-
Target number of staff	1 260	2 164	34	735	4 192	1 445	2 489	50	918	4 902	9 094	182
* Target %	13,85%	23,80%	0,37%	8,08%	46,10%	15,89%	27,37%	0,55%	10,09%	53,90%	100,00%	-
<b>Unskilled and defined decision-making (T1 – T4)</b>												
Current number of staff	536	993	3	11	1 543	2 277	4 272	4	56	6 609	8 152	47
Current %	6,58%	12,18%	0,04%	0,13%	18,93%	27,93%	52,40%	0,05%	0,69%	81,07%	100,00%	-
Target number of staff	1 129	1 940	30	659	3 758	1 295	2 231	45	823	4 394	8 152	163
* Target %	13,85%	23,80%	0,37%	8,08%	46,10%	15,89%	27,37%	0,55%	10,09%	53,90%	100,00%	-
Grand total	<b>2 394</b>	<b>4 259</b>	<b>31</b>	<b>1 171</b>	<b>7 855</b>	<b>4 414</b>	<b>10 970</b>	<b>65</b>	<b>2 086</b>	<b>17 535</b>	<b>25 390</b>	<b>197</b>
Grand total %	<b>9,43%</b>	<b>16,77%</b>	<b>0,12%</b>	<b>4,61%</b>	<b>30,94%</b>	<b>17,38%</b>	<b>43,21%</b>	<b>0,26%</b>	<b>8,22%</b>	<b>69,06%</b>	<b>100,00%</b>	<b>0,78%</b>
<b>Demographic benchmark</b>												
African female		Coloured female	Indian female	White female	Total female	African male	Coloured male	Indian male	White male	Total male		
13,85%	23,80%	0,37%	8,08%	46,11%	15,89%	27,37%	0,55%	10,09%	53,89%			

# Inside the City of Cape Town

## HUMAN RESOURCES

### Human resources strategy and best practice

In 2010 a report produced by the Department of Cooperative Governance and Traditional Affairs (CoGTA) on the current state of human resource management practices in local government highlighted the City of Cape Town as demonstrating best practice in the area of human resources strategy.

The City was recognised for developing an “institutional development, transformation and realignment plan, which incorporates an integrated human resources strategy”. These plans and strategies were further recognised for their alignment with the IDP and budget planning process, and their annual review as part of this. Further recognition was provided to the City for setting out a “continuous improvement process towards achievement of developmental goals by efficient utilisation of internal resources”.

The human resources strategy is managed through three programmes: talent management, business improvement and an integrated SAP-based human resources system. The success of these strategies and programmes is illustrated through a number of key indicators. Over the past five-year cycle, these have included the following:

- R105 million per annum savings on budget arising from the e-HR and time management projects
- Recognition by SAP International, who has used the City of Cape Town’s human resources roll-out to showcase the possibilities
- Increase in application of business improvement interventions to all directorates, leading to indirect savings through increased efficiencies
- Significant efficiencies leading to indirect savings with implementation of e-Leave and e-T&A, including a reduction in absenteeism from 7% to 4,1%
- Five established and fully functional local labour forums, improving relationships with trade unions
- Low vacancy rates. The City had a vacancy rate of 7,89% in June/July 2011 – the lowest in five years. Since July 2008, the City has made 13 791 appointments, both internal and external.
- An increase of 20,3% in employees in the scarce-skills categories (professionals, technical and related, managerial, and craft and related categories) between July 2008 and July 2011, replacing those skills lost during 2007. There was a related decrease in staff turnover in the same categories during this period, from a high of 15,08% in 2008 down to 4,93% in 2011, indicating a progressive upskilling of the City’s workforce and a stabilisation of these critical skills groups.

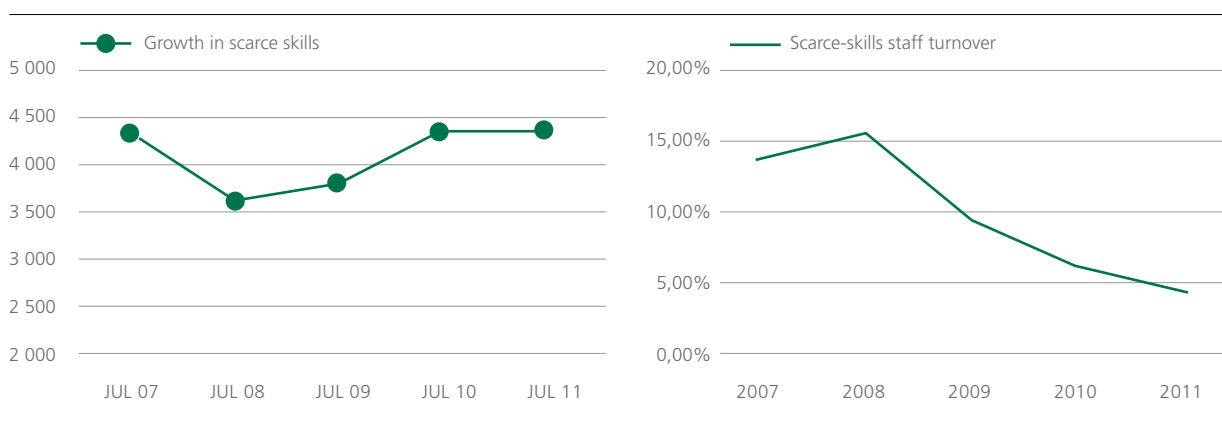


Figure 20: Number and turnover of scarce-skills staff in the City of Cape Town





Motivated staff are considered the best ambassadors for the City.

### Improving morale and loyalty

A comprehensive biennial independent survey has found that staff motivation and commitment in the City have improved in the past five years. Results of the Siyamamela (culture climate) survey among staff show a 12,9% increase in the percentage of “truly loyal” employees who will go the extra mile for City customers.

This indicator has improved significantly from the 25% recorded in the first survey conducted in 2007. During the past two years, the number of so-called “disgruntled seekers” within the City’s employee base has dropped from 21% to 16%. Altogether 75% of City staff indicated that they are proud to work for the City. This is a strong indication of their personal commitment to the vision of the City, and has increased consistently over the past three surveys.

This is the third cycle of the survey among City staff and staff morale has shown a positive upward trend throughout this period. This is important, because improved staff morale has a positive influence on service delivery, which is a primary City objective. One of the benchmarks introduced in the 2009 survey was to test staff’s level of engagement. Employees who are “fully engaged” are defined as being truly motivated and willing to go above and beyond the call of duty to delight their customers.

Motivated staff are considered the best ambassadors for the organisation. In 2009 29% of staff were defined as “fully engaged”, while the 2011 survey indicated an increase to 37%. The South African normative benchmark for fully engaged is 33% for all industries and 23% for the public sector. The City is therefore well above the industry norm.

The change in staff perceptions over time has been influenced by numerous factors, not least the various targeted human resources interventions, which have included the roll-out of integrated talent management programmes, including skills audits, personal development plans, individual performance management, career and succession planning, and employee and management self-service-enabled support programmes.

### Education and training

The City has identified skills development as one of its strategic objectives in its IDP. To avoid training merely for the sake of meeting training targets, the City has adopted a new policy framework that requires each employee’s training needs to be informed by performance and service delivery requirements in view of limited and scarce resources.



## Inside the City of Cape Town

To give effect to the above, the City's new policy framework on education, training and development provides for the use of multipronged approaches to the skills development mandate. This approach allows for the use of any of the following instruments:

### **Learnerships/apprenticeships**

Nine learnerships were implemented during the year under review:

- General Education and Training Certificate (GETC): Basic Technical Practice (Energy) – Level 2
- National Certificate (NC): Electrical Engineering (Distribution) – Level 2
- National Certificate (NC): Electrical Engineering (Distribution) – Level 3
- National Certificate (NC): Electrical Engineering (Distribution) – Level 4
- Further Education and Training Certificate (FETC): Fire and Rescue Operations Learnership – Level 4
- Further Education and Training Certificate (FETC): Payroll Administration Learnership – Level 4
- National Certificate (NC): Water and Wastewater Reticulation Services Learnership – Level 2
- National Certificate (NC): Water and Wastewater Treatment Process Operations Learnership – Level 2

A total of 156 learners participated in the above learnerships, of whom 146 were employed and ten were unemployed youth. Seven of the unemployed youth have been absorbed into the City's fixed establishment.

### **Cooperative-education students**

A total of 271 cooperative-education students were provided with practical workplace exposure as part of the City's commitment to assist students from nearby tertiary institutions. For the second year in a row, the City won the overall merit award as acknowledgement by the South African Society for Cooperative Education.



The City continues to invest in its information and communications technology systems.

### Bursary schemes

The City realises the value of skills development and enhancement, and is very supportive of its employees as well as members of the community with regard to further studies. In this regard, at least 38 new external bursaries were awarded to potential candidates in critical and scarce-skills areas, while approximately 1 500 new bursaries are given to staff members annually.

### Adult education and training (AET)

The City is committed to improving its employees' literacy and numeracy levels, especially among those who were not able to obtain formal qualifications due to past inequities. Altogether 502 employees benefited from the City's AET programme during the period under review. The City has also extended this initiative to incorporate computer skills as part of its initiative to bridge the digital divide.

During the 2010/11 financial year, the City was nominated for the gold award for Best Learner and the silver award for Best Educator in Province's AET awards ceremony.

### Employee wellness

The City acknowledges that employees are more likely to come to work and perform well when they enjoy optimal physical and psychological health. For this reason, it offers a number of programmes aimed at assisting employees to strike a balance between their personal lives and the demands of their careers. Of critical importance during the year under review was the finalisation of the following employee wellness projects:

- An HIV and Aids risk assessment to ascertain the City's vulnerability to the impact of the pandemic. The assessment highlighted that the City's prevalence rate is still at 6%, and that personnel in the 28–35 age group are the most vulnerable due to their susceptibility to drug and alcohol use.
- The pilot project on the matrix programme to determine the possibility of implementing an outpatient rehabilitation programme for employees with substance dependence problems.



The City is continually busy improving its back-office operations to ensure efficient and effective administration.

# Inside the City of Cape Town

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The City's wellness programme continues its partnerships with the Lung Institute, Stellenbosch University and the University of the Western Cape, which allow for the sharing of knowledge and research information.

## **Trade unions**

There are two recognised trade unions within the City of Cape Town, with an overall 87,5% level of unionisation. Of those who belong to a union 12 282 employees are affiliated to the South African Municipal Workers' Union (SAMWU) and 9 294 employees to the Independent Municipal and Allied Trade Union (IMATU). The South African Local Government Bargaining Council acts as national bargaining platform, with a metropolitan division. Five local labour forums address problems at a directorate or departmental level.

Various collective agreements govern the relationship between the unions and the employer, and determine what is dealt with at each level of bargaining, i.e. national, metropolitan and local. Councillors form part of the team that represents the City at all three levels. The City has enjoyed a high level of industrial stability over the past five years, with very few strikes arising from local disputes. This is in part attributable to the collective bargaining and human resources strategies, which have been aimed at both stabilising the administration and building constructive relationships with both unions.

## **INFORMATION SYSTEMS AND TECHNOLOGY**

The City continues to invest in its information and communication technology (ICT) systems and has established what is arguably the leading local government information technology (IT) system in South Africa. In excess of 12 000 personal computers have been deployed to enable process automation, thereby ensuring a consistent service level and access to information from any municipal facility anywhere in the metropolitan area.

The City has remained at the forefront of technological advancement. Through its desktop renewal project, desktop computers older than six years were replaced and Windows 7 was adopted as the standard operating system, to which more than 90% of the City's computers have now been upgraded. This standardisation has reduced the complexity of the IT environment and allowed for better remote support. The Microsoft Exchange e-mail system and the Enterprise Vault mail archiving systems were both upgraded to ensure a reliable e-mail solution.

The City continued to consolidate data within its data centres to ensure the best possible data safeguarding and management. Although this strategy will improve information security, it relies on greater bandwidth. To this end, the first phase of the City's broadband optic fibre network was constructed during the past financial year. This network of 270 km of underground cable will provide increased network capacity to City facilities and offices, as well as between the City data centres. With an increase in bandwidth the City will be able to improve service levels to citizens by making more services available from remote sites, and introducing services that were previously not possible. Examples of such systems include spatial information systems and video surveillance capabilities.

The roll-out of the broadband infrastructure will however take a number of years before being fully accessible across the entire city. For this reason, a wireless network has been established as a tactical solution to precede the full roll-out of the optic fibre network. Through this approach, the network capability to remote City buildings has improved and this will have a positive impact on the City's business systems through which citizens are served.

To date, business systems have focused on improving the City's back-office operations to ensure efficient and effective administration. With the introduction of a customer relations management function, online e-services are now also being made available. These services include an e-recruitment system, which enables job applications via the internet and online transactional services through which citizens can perform a number of revenue-related and utility-related services.

The City's dependence on its ICT systems to ensure service continuity has meant that the inherent risk associated with technology has to be effectively managed. An assessment of this environment by the Auditor-General's office concluded that the City's ICT systems are reliable. Service management standards have been adopted, and IT risk and governance issues are being managed at the highest corporate level through the ICT EMT Governance Committee, which has adopted the King III Guide to Corporate Governance and its Code of Governance Principles.

## INTEGRATED RISK MANAGEMENT (IRM)

The City's IRM process is based primarily on a framework, policy and IRM implementation plan, all of which are defined by the risk appetite as approved by Council. The application of these elements assists City management to prioritise risks and to integrate them with the decision-making process. Risk management is embedded in Council processes through the monitoring of treatment action plans, annual corporate risk-register updates, monthly management meetings as well as regular interaction with the risk management community.

The Risk Committee (RiskCo) and EMT Governance Subcommittee are kept informed by means of risk dashboards, which summarise the risk profile of directorates and related departments as well as other accountable risk owners. The Audit Committee chairperson is a member of RiskCo and is tasked with relaying information from RiskCo to Council.

The City envisages continuous embedding of risk management, improved risk management relationships at a provincial level through established forums and benchmarking the City's risk function against global best practices.

## LEGAL SERVICES

### Leading in access to information

At the 2010 Golden Key award ceremony, the South African Human Rights Commission (SAHRC) in collaboration with the Open Democracy Advice Centre (ODAC) acknowledged best practices by public bodies that promote openness, responsiveness and information sharing in the country through the implementation of the Promotion of Access to Information Act (PAIA) (Act 2 of 2000). The awards were also aimed at recognising outstanding achievements of deputy information officers at public institutions in implementing the Act, media engagement and promotion of knowledge of the Act by journalists, as well as the most prominent or frequent user of the Act from the general public.

The City of Cape Town was commended for its outstanding work in putting the necessary mechanisms in place to promote openness and responsiveness within its establishment, and for its sterling work in going beyond the call of duty in implementing PAIA. The City received two prestigious awards in the categories "Best Municipality" and "Best Deputy Information Officer" for 2010. The City's Statutory Compliance Unit, which opened its first public access-to-information office at the Civic Centre in Cape Town, has recently named this office the Access to City Records Office. The functions of this office include providing computer access to the public to browse the City's website for automatically available records, answering access-to-information queries, receiving applications from the public and assisting with copies of records.

## COMMUNICATION

The year under review saw the culmination of four years' work, during which the Communication Department devised and executed a credible, effective communication and marketing strategy for the 2010 FIFA World Cup™. This had to allay concerns and doubts about the event, manage expectations, promote pride, claim successes, and position and market Cape Town.

The Communication Department mounted major public information campaigns, and used all of its communication channels to ensure 24/7 availability for unrelenting local and international media questions. The Department was required to manage inevitable crises while also showcasing Cape Town. It conceptualised events that were uniquely Cape Town but had global appeal, and produced an award-winning portfolio of publications with information for visitors and residents. This communication and marketing strategy formed a key part of Cape Town's 2010 FIFA World Cup™ delivery and success. Many viewed Cape Town as the best host city in South Africa, with its compact, safe and festive event footprint and all the key attractions and entertainment within walking distance.

The Department continues to perform a cross-cutting, strategic, advisory corporate role in all communication and marketing aspects, and major projects such as the new MyCiTi bus service, Cape Town Stadium, and climate change and environmental campaigns. It disseminates quality public information through a variety of channels, including:

## Inside the City of Cape Town



The City hosts a range of events, thereby positioning Cape Town as a foremost events capital.

- news media;
- City publications that include a resident newsletter, staff newsletter and corporate flagship publications such as the annual report;
- electronic communication and social media; and
- marketing and information campaigns, from civic to major events.

It is also the brand and reputation custodian for the City; plays a key role in crisis communication and produces merchandise, visuals and exhibition materials. This free flow of information through a broad range of news and City media has set new standards for transparency and accountability to residents in South African metros.

The Department also plays a key role in the hosting of a range of events, thereby positioning Cape Town as a foremost events capital. The events function includes coordinating and assessing corporate events, events bids, conceptualising and execution of event themes, sponsorships, and internal and external partnerships for events.

During the year under review, the Communication Department was awarded a Silver Prism award from the Public Relations Institute of South Africa. The staff newsletter, *Contact*, won the award for the best corporate publication in South Africa for the third time in a row, beating a number of leading private-sector publications, while three other publications produced by the Department also won category awards.

### **SPECIALISED TECHNICAL SERVICES**

Specialised Technical Services is an enabling department that provides services, consultancy and advice to all City line directorates to enable them to achieve their service delivery goals. The Department comprises Facilities Management, Fleet Management, and Specialised Radio and Electronic Services. Over and above the normal day-to-day activities, the Department has spent 98,98% of its capital budget and achieved a score of 98,53% in the asset verification process.

**Facilities Management** is responsible for managing 96 corporate buildings across the city. Critical interventions in the last year have included:





- the replacement of three chillers to improve the air-conditioning system in Cape Town Civic Centre;
- the replacement of three transformers to improve electricity stability;
- the reduction in rented office space, rather making use of Council-owned facilities;
- the recarpeting and replacement of the sound system of the Council chamber; and
- the renewal of the lifts at the Parow municipal building.

**Fleet Management** is responsible for managing over 4 000 corporate vehicles and plant. The past year has seen:

- the consolidation of the former devolved fleet into Corporate Services to improve efficiency;
- the initiation of a section 33 process, and successful implementation of an eight-year tender for the supply of fuel for the City's vehicles and plant;
- the reduction of overall mileage of City vehicles through the installation of on-board computers to monitor driving habits, hours and utilisation;
- ongoing road shows to prepare line departments once the Administrative Adjudication of Road Traffic Offences Act (AARTO) (Act 46 of 1998) is implemented; and
- assistance provided to IRT on the bus fleet.

**Specialised Radio and Electronic Services** manages all radio communication, closed-circuit television (CCTV), alarms and the like across the city. The TETRA (terrestrial trunked radio) system provides a service to 11 000 emergency and municipal services users, with 30 remote repeater sites. In the past year:

- two additional sites were added at Voëlvllei (Gouda/Wellington area) and at Vredenburg (coverage of the West Coast);
- reliance on alarm monitoring by private companies was reduced by converting 260 sites to Law Enforcement; and
- the electronic voting system in the Council chamber was modified to accommodate 250 delegates.



BUDGET OVERVIEW FOR 2011/12

# We provided 7 472 housing opportunities

INTRODUCTION

CHAPTER ONE

CHAPTER TWO

CHAPTER THREE

**CHAPTER FOUR**

CHAPTER FIVE

ANNEXURES

## Budget overview for 2011/12

This section of the City of Cape Town's integrated annual report provides an overview of the 2011/12 capital and operating budgets for the City. An overview of the financial performance of the City for the 2010/11 financial year is included in the section detailing the City's annual financial statements.

### BUDGET OVERVIEW FOR 2011/12

#### 2011/12 operating budget

##### Expenditure

Total operating expenditure has increased from R19 610 million in 2010/11 to R22 142 million in 2011/12. This 12,91% rise is primarily the result of increases in several City expenditure components, examples of which are noted in the table below:

Table 16: Total operating expenditure, 2010/11 vs 2011/12

Year-on-year growth of expenditure components			
Category	Approved budget 2010/11 R'000	Approved budget 2011/12 R'000	%
Employee-related costs	6 533 950	7 091 648	8,54
Remuneration of councillors	92 666	108 786	17,40
Debt impairment	967 958	1 039 970	7,44
Depreciation/asset impairment	1 213 199	1 392 823	14,81
Finance charges	739 507	766 367	3,63
Bulk purchases	4 738 992	5 785 876	22,09
Contracted services	2 108 941	2 320 168	10,02
Transfers and grants	44 557	96 419	10,14
Other expenditure	3 169 944	3 539 818	11,67
<b>Total</b>	<b>19 609 714</b>	<b>22 141 875</b>	<b>12,91</b>

Explanation of significant variances in expenditure:

- *Remuneration of councillors* – The 2011/12 budget includes provision for the salaries of additional councillors following ward demarcation amendments, and the impact of additional subcouncils after the 2011 municipal elections.
- *Debt impairment* – This is the working capital provision (bad debts) for both rate-funded and tariff-funded services. The calculation is based on the 2011/12 collection ratios, and is also informed by a recent opinion of the Auditor-General.
- *Depreciation and asset impairment* – The increase is the result of reductions in the predicted lifespan of certain assets, and the depreciation impact of major projects such as the IRT system and Cape Town Stadium.
- *Bulk purchases* – The increase is due to higher-than-inflation bulk purchase cost hikes envisaged for electricity and water services.
- *Contracted services* – This expenditure component now includes provision for repairs and maintenance. A further contributing factor to the 2011/12 increase is the need for additional funds to cater for subcouncil requests within the Community Services, and Transport, Roads and Major Projects directorates.

The 2011/12 operating budget also makes provision for the following additional allocations, over and above normal requirements:

Safety and security overtime	R20 million
Filling of critical vacancies	R10 million
Medical aid contingency	R20 million
Roads and stormwater (subcouncil requests)	R30 million
Community services (subcouncil requests)	R29 million

## Revenue

The budget sees an increase in annual operating revenue from R19 442 million in 2010/11 to R21 981 million in 2011/12. This 13,06% growth in revenue is mainly the result of:

- an increase in respect of the national equitable share allocation from R836 million in 2010/11 to R970 million in 2011/12; and
- projected organic growth and increases in property rates and service charges (water, sanitation, electricity and refuse).

## Individual service tariffs/rates

The proposed tariff increases shown in the table below are averages, and actual payments may differ for certain ratepayers:

Table 17: Average tariff increases envisaged for 2011/12–2013/14

Average tariff increase for 2011/12, 2012/13 and 2013/14			
Category	2011/12 %	2012/13 %	2013/14 %
Rates	5,90	10,00	5,40
Electricity	19,94	21,42	20,42
Water	8,28	10,12	10,25
Sanitation	8,28	10,12	10,25
Refuse removal	5,50	5,50	5,40
Refuse disposal	5,50	7,50	9,40

## 2011/12 capital budget

The capital budget has increased from R3 996 million in 2010/11 to R5 090 million for the 2011/12 financial period. This overall growth of 27,4% can be attributed to various factors, the most pertinent of which are:

- increased national and provincial allocations for the Housing, and Transport, Roads and Major Projects votes; and
- additional funding from the capital replacement reserve (CRR) for solid-waste plant and equipment, and land acquisition for the expansion of the CTICC.

The external financing fund (EFF) allocation for 2011/12 is based on the affordability of the domestic medium-term note (DMTN) programme and the City's position on sustainable gearing levels over the medium to long term. The 2010/11 EFF amount shown in the following table includes roll-overs from 2009/10. These were approved in August 2010, thereby increasing the EFF base amount to slightly above the initial target of R1 billion per year.

In addition, changes to accounting practices in relation to the budgetary treatment of the procurement of minor furniture and equipment contributed to the reduced revenue funding-source requirement.

Table 18: Total capital funding sources, 2010/11 vs 2011/12

Year-on-year increase in capital funding sources			
Category	Budget 2010/11 R'000	Budget 2011/12 R'000	Increase/ (decrease) R'000
Capital grants and donations	1 775 151	2 715 359	940 208
Capital replacement reserve	698 856	970 872	272 016
External financing fund	1 442 790	1 357 386	(85 404)
Revenue	78 930	46 250	(32 680)
<b>Total</b>	<b>3 995 727</b>	<b>5 089 867</b>	<b>1 094 140</b>



# Budget overview for 2011/12

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Major capital expenditure is planned in the following areas during the 2011/12 financial year:

- **Utility Services** – capital budget of R1 806 million

These are the most significant projects planned:

- Water Services:
  - o Bellville Wastewater Treatment Works – R102 million
  - o Northern-area sewer, Thornton – R45 million
  - o Extension to Zandvliet Wastewater Treatment Works – R13 million
- Electricity Services:
  - o New complex at Bloemhof – R72 million
  - o Replacement of 33 kV cables, Oakdale to Boston – R54 million
  - o Replacement of the Vanguard transformer – R41 million
  - o Replacement of system equipment – R96 million
- Solid Waste Services:
  - o Plant and vehicles – R162 million
  - o Development of landfill infrastructure – R75 million
  - o Rehabilitation and closure of landfill sites – R32 million

- **Transport, Roads and Major Projects** – capital budget of R1 876 million

These are the most significant projects planned:

- IRT-related infrastructure – R1 202 million
- Reconstruction of metro roads – R58 million
- Reconfiguration of Green Point Common – R52 million

- **Housing** – capital budget of R738 million

These are the most significant projects planned:

- Upgrade of rental units (flats) – R292 million
- Development of 4 000 units in Bardale/Fairdale – R50 million
- Land acquisition for future housing – R75 million
- Infrastructure for 1 000 units in Happy Valley Phase 2 – R35 million
- Construction of outer cavity walls for some housing flats – R26 million
- Delft – The Hague housing project – R16 million

### **Priority given to repairs and maintenance**

The City acknowledges its obligation to preserve its extended asset base optimally, and recognises the current inherent backlogs in this regard. In line with the budgetary approach of recent financial years, the 2011/12 appropriations again provide for significant and above-consumer price index (CPI) increases in this cost component.

## Overview of budget assumptions applied to the 2011/12–2013/14 Medium-term Revenue and Expenditure Framework (MTREF)

### External loans

The MTREF/budget is influenced by the local and international economic climate and therefore the projected economic conditions had to be properly considered during the budget preparation process.

While the 2011/12 MTREF was drafted against the backdrop of a reviving economy, the negative impacts of the multi-year recession are still noticeable and continue to influence reporting in both the private and public sectors.

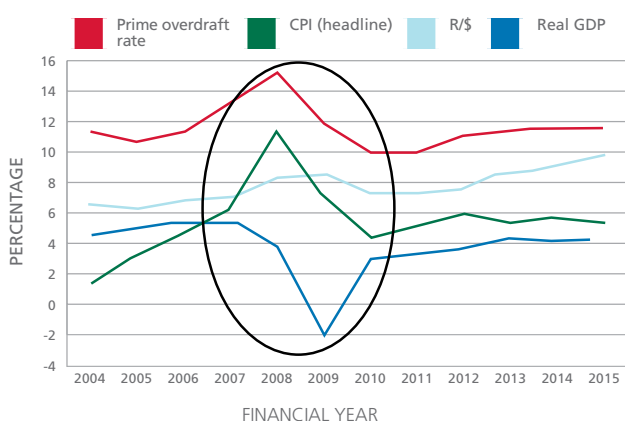


Figure 21: Key economic trends – 2004 to 2015 (sourced from Bureau for Economic Research)

In the midst of the recession gross domestic product (GDP) was at a deficit of 1,8%, the inflation rate at 11,85%, the R/\$ exchange rate averaged at R8,50, while interest rate levels hovered around the 13,5% mark. The preparation of the first draft of the 2011/12 MTREF was based on much-improved economic projections, including GDP at 3,55%, inflation at 5,35%, a R/\$ exchange rate of R7,76, and an average interest rate of 10%.

Despite this, budgetary constraints and economic challenges meant that the City had to apply a combination of cost-saving interventions and higher-than-headline-inflation revenue increases to ensure an affordable, credible and sustainable budget over the 2011/12 MTREF period.

The 2011/12 MTREF budget theme, “Driving efficiencies – reprioritisation of existing resources and current allocations”, resulted from the realisation that there was limited if any scope for additional externally or internally funded revenue growth, but that more needed to be done with the existing resource envelope. This was reiterated in National Treasury Budget Circular 54 as well as a National Treasury presentation to municipalities in August 2010.

### The general inflation outlook and its impact on municipal activities

The headline CPI applied in the 2011/12 MTREF is 4,0%, 5,5% and 5,4% respectively for the three-year period. This differs somewhat from the Bureau for Economic Research (BER) CPI forecasts of 5,6%, 5,5% and 5,4% for the same period. The levels are within National Treasury and South African Reserve Bank (SARB) CPI projections (3–6% range).

## Budget overview for 2011/12

Budgetary allocations within the 2010/11 financial year were largely based on a CPI level of 5,6%. However, current projections indicate a materially lower average of 3,7% for the year. The base CPI was therefore overprovided, which facilitated an amended CPI base of 4% for the 2011/2012 financial year. Inflation for the MTREF outer years is projected to remain at 5,5% and 5,4% respectively. The graph below illustrates the CPI projections adopted by the City over the MTREF period:

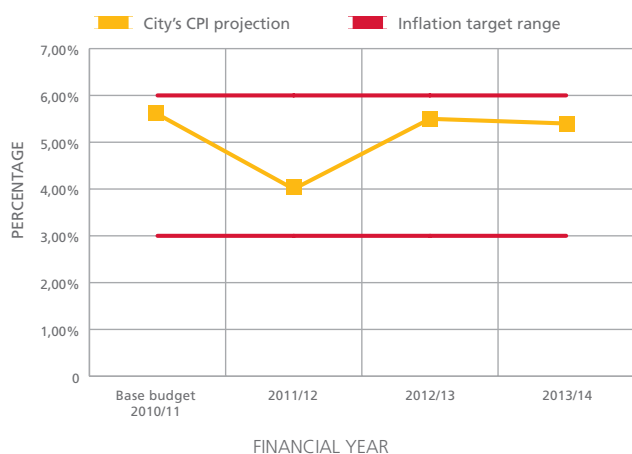


Figure 22: Consumer price index projections adopted in the Medium-term Revenue and Expenditure Framework

Table 19: Credit rating outlook for the City of Cape Town

Credit rating outlook				
Category	Currency	Rating	Annual rating 2010/11	Previous rating
Outlook	–	Stable	26 January 2011	Stable
NSR issuer rating	Rand	Aa2.za	26 January 2011	Aa2.za
NSR ST issuer rating	Rand	P-1.za	26 January 2011	P-1.za
NSR senior unsecured	Rand	Aa2.za	26 January 2011	Aa2.za

The rating categories can be defined as follows:

- “Stable outlook” – The assigned credit rating is not expected to be affected by either positive or negative credit factors in the short term.
- “NSR issuer rating” (Aa2.za) – This rating demonstrates very strong creditworthiness in relation to other domestic issuers.
- “NSR ST issuer rating” (P-1.za) – Issuers (or supporting institutions) rated Prime -1 have a superior ability to repay short-term debt obligations.
- “NSR senior unsecured” (Aa2.za) – Issuers demonstrate very strong creditworthiness in relation to other domestic issuers.

### Interest rates for borrowing and investment of funds

Average interest rates over the 2011/12 MTREF period are:

- 11,70%, 11,81% and 11,91% respectively for interest paid; and
- 5,55%, 5,91% and 6,34% respectively for earnings on investments.

**Collection rate for revenue services**

In accordance with relevant legislation and national directives, the City's projected revenue recovery rates are based on realistic and sustainable trends. In calculating the working capital reserve, the following collection ratios were applied:

Table 20: Current and projected revenue collection rates of the City of Cape Town

<b>Collection rates</b>				
<b>Services</b>	<b>Base budget 2010/11 %</b>	<b>2011/12 %</b>	<b>2012/13 %</b>	<b>2013/14 %</b>
Property rates	96,0	95,0	95,0	95,0
Electricity	95,0	95,0	95,0	95,0
Water	89,5	91,5	90,5	91,0
Sewerage	90,5	92,0	90,5	91,0
Refuse	92,0	94,0	94,0	94,0
Housing	42,0	42,5	45,0	47,5





# The City received its eighth consecutive unqualified audit from the Auditor- General



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## REPORTING ENTITY

The reporting entity (hereinafter 'the Entity') is a local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- provide democratic and accountable government to the local communities;
- ensure sustainable service delivery to communities;
- promote social and economic development;
- promote a safe and healthy environment; and
- encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (Act 56 of 2003), The Municipal Structures Act (Act 117 of 1998), The Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.

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# Auditor-General's report on financial statements and performance information

## REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE CITY OF CAPE TOWN REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying consolidated and separate financial statements of the City of Cape Town, which comprise the consolidated and separate statement of financial position as at 30 June 2011, the consolidated and separate 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, and a summary of significant accounting policies and other explanatory information as set out on pages 132 to 190.

### Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa (Act 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa (Act 1 of 2010) (DORA), and for such internal control as management determines necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa (Act 108 of 1996) and section 4 of the Public Audit Act of South Africa (Act 25 of 2004) (PAA), my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated and separate financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

7. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the City of Cape Town and its subsidiaries as at 30 June 2011, and their financial performance, cash flows and comparisons of budget and actual amounts for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

### Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Significant uncertainties

9. As disclosed in note 48.2 to the consolidated financial statements, the City of Cape Town is party to contractual claims by its suppliers that are subject to mediation. The maximum potential liability is estimated at R401,34 million. The ultimate outcome of these claims could not be determined at year-end.

### Restatement of corresponding figures

10. As disclosed in notes 42.1, 43.1.2, 44.2 and 46 to the consolidated financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during the 2010/11 financial year in the separate financial statements of the City of Cape Town and the Cape Town International Convention Centre Company (Pty) Ltd at, and for the year ended, 30 June 2010.

### Material losses

11. As disclosed in note 42.3 to the consolidated financial statements, the City of Cape Town suffered water losses of R506,54 million during the year under review. This was incurred as a result of metering inefficiencies, burst pipes and other leakages.

# Auditor-General's report on financial statements and performance information

12. As disclosed in note 42.3 to the consolidated financial statements, the City of Cape Town suffered electricity losses of R689,26 million. This was as a result of technical losses caused by the nature of electricity and the way it is conducted via lines, status/condition and age of the network, weather conditions and load on the system, as well as non-technical losses such as theft and vandalism.

## Material underspending of the budget

13. As disclosed in the consolidated statement of comparison of budget and actual amounts, note 41.2.4 and in the report of the Chief Financial Officer under the heading capital expenditure, the City of Cape Town and its subsidiaries had materially underspent its capital budget to the amount of R863,57 million (22,97%). As a consequence, the Entity has not fully achieved the service delivery objectives, as detailed in the consolidated statement of comparison of budget and actual amounts for the year ended 30 June 2011.

## Additional matter

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

## Unaudited supplementary schedules

15. The supplementary information set out on pages 191 to 203 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 206 to 221 and material non-compliance with laws and regulations applicable to the municipality and the entities under its control.

### Predetermined objectives

17. No material findings relating to the presentation, usefulness and reliability of performance information remained unresolved.

### Compliance with laws and regulations

#### Expenditure management

18. The Accounting Officer of the City of Cape Town did not take all reasonable steps to prevent the irregular expenditure disclosed in note 42.1 to the consolidated financial statements, as required by section 62(1)(d) of the MFMA.

#### Procurement and contract management

19. Awards were made by the City of Cape Town to providers who are persons in service of the municipality and/or whose directors/principal shareholders are persons in service of the municipality in contravention of regulation 44 of the Municipal Supply Chain Management (SCM) Regulations, 2005. Furthermore, the providers failed to declare that they were in the service of the municipality, as required by SCM regulation 13(c).
20. Awards were made by the City of Cape Town to providers who are persons in service of other state institutions or whose directors/principal shareholders are persons in service of other state institutions in contravention of the requirements of SCM regulation 44. Furthermore, the providers failed to declare that they were in the service of the state, as required by SCM regulation 13(c).
21. Persons in service of the City of Cape Town who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by the code of conduct for staff members issued in terms of the Municipal Systems Act (Act 32 of 2000).
22. Awards were made by the City of Cape Town to providers who are listed on the National Treasury's database as persons prohibited from doing business with the public sector, in contravention of SCM regulation 38(1)(c).

## INTERNAL CONTROL

23. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

## Financial management

24. The standard declaration of interest forms were not requested by the City of Cape Town as part of the standard bid documentation for awards of goods below R200 000 and/or suppliers and employees did not complete the declaration of interest forms correctly, which led to the SCM unit not being able to identify conflict of interests in a timely manner. The SCM unit has not implemented adequate controls to ensure that awards are not made to persons employed by the municipality or to prevent awards to prohibited suppliers.



# Auditor-General's report on financial statements and performance information

## OTHER REPORTS

### Investigations

25. SCOPA for the City of Cape Town had requested a number of investigations during the year under review. At the date of this report these investigations had not been finalised. These include:

- an investigation into alleged irregular expenditure relating to essential user allowances paid to certain council employees;
- an investigation into grant-in-aid allocations to the Mfuleni early childhood development project;
- an investigation into irregular expenditure resulting from contraventions of the municipal SCM regulations, as reported in the 2009/10 financial statements;
- an investigation into the fruitless and wasteful expenditure regarding grants and subsidies, as reported in the 2009/10 financial statements;
- an investigation into the fruitless and wasteful expenditure regarding the 2010 FIFA World Cup™ costs, as reported in the 2009/10 financial statements; and
- an investigation into a request to write off amounts deemed to be irrecoverable from the SICOCA/KAPA special project conducted in 2008.

26. As reported in paragraph 19 of the prior-year audit report, allegations against a senior official from the City of Cape Town for renting municipal property to private citizens in his personal capacity as well as alleged irregularities related to the allocation and distribution of houses in certain suburbs, were investigated. The investigation was finalised during the year under review and it was concluded that the official had indeed been involved in unauthorised or improper use of the property. There were insufficient facts to support a charge of fraud against the official. The official left the employ of the City of Cape Town before disciplinary action could be taken.

27. During the year a number of investigations relating to the contravention of SCM policies and procedures were conducted at the City of Cape Town. The investigations were initiated based on allegations made by management, as well as through the fraud hotline. The nature of cases investigated included possible collusion by service providers and deviations from policies in the extension or granting of contracts and tenders. Instances of valid deviations or fruitless and wasteful expenditure were adequately disclosed in the financial statements.

28. Three investigations were performed by the CTICC relating to three separate instances of fraud. The outcomes of the investigations led to the dismissal or resignation of employees implicated in the fraudulent activities.

### Agreed-upon procedure engagement

29. The City of Cape Town requested an agreed-upon procedure engagement to be performed on the housing accreditation systems and controls. The engagement commenced in December 2011.

*Auditor-General*

Cape Town

31 December 2011



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Management comments and corrective action to be instituted on the matters raised in the report of the Auditor-General

## **MANAGEMENT COMMENTS AND CORRECTIVE ACTION TO BE INSTITUTED ON THE MATTERS RAISED IN THE REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2011 IN TERMS OF SECTION 121(4)(E) OF THE MUNICIPAL FINANCE MANAGEMENT (ACT 56 OF 2003)**

*The unqualified audit report contains certain issues for which comments are provided below, where relevant. The paragraph references correspond with the references in the Audit Report and paragraphs for which no comments are provided are for readers' interest only.*

### **Compliance with Laws and Regulations**

#### **Expenditure management**

**Paragraph 18** – The Auditor's statement regarding the Accounting Officer not having taken "all reasonable steps to prevent irregular expenditure" is strongly refuted by the City since these incidents occurred whilst the City was in the process of implementing remedial actions to deal with the type of incidents reported. These measures were fully implemented by May 2011.

#### **Procurement and contract management**

**Paragraphs 19, 20 and 21** – The incidents reported occurred during the implementation by the City of measures to ensure full compliance with regulations. Such measures were in place by May 2011. The inaccurate representations made by vendors and staff as reported cannot be controlled by the City which position is endorsed by National Treasury. Corrective and disciplinary measures are in the process of being taken against defaulting staff.

**Paragraph 22** – Only two such incidents occurred and since control measures are in place, care will be taken to prevent any recurrence in future.

**Paragraph 24** – The incidents reported of "declaration of interest" forms not having been requested occurred during the implementation of measures to ensure such compliance. It is unfortunate that the audit conclusions reached are exaggerated since the sample findings in relation to the population whole are insignificant, but are presented as being prevalent.

# Report of the audit committee for the year ended 30 June 2011

## REPORT OF THE AUDIT COMMITTEE TO THE EXECUTIVE MAYORAL COMMITTEE AND COUNCIL OF THE CITY OF CAPE TOWN

The Audit Committee has been established as an independent Committee, in terms of section 166 of the MFMA Act (Act 56 of 2003). The Committee has adopted a formal terms of reference, which is regularly updated and approved by Council.

The Committee presents its report for the financial year ended 30 June 2011.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Committee's terms of reference requires a minimum of five members and consists of the members listed below. During the year under review, four Audit Committee meetings were held, as well as other meetings with the City Manager and Internal Audit. The Auditor-General is invited and is in attendance at all Audit Committee meetings.

Name of member	Number of meetings attended
Mr Z. Manjra (Chairperson)	6
Ms K. Moloko	6
Mr M. Burton	4
Mr M. Kajee (Appointed 1 February 2011)	2
Ms M. Roos (Appointed 1 February 2011)	2
Mr A.A. Mahmood (Term completed 31 January 2011)	2
Ms B.D. Engelbrecht (Term completed 31 January 2011)	3

### AUDIT COMMITTEE RESPONSIBILITY

The Committee reports that it has, as far as possible, discharged its responsibilities arising from its terms of reference, including relevant legislative requirements.

### REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee is pleased that the Auditor-General issued an unqualified audit opinion on the Group Financial Statements of the City for the year ended 30 June 2011. These financial statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa (Act 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa (Act 1 of 2010) (DORA).

The Committee draws attention to the "emphasis of matters" and other paragraphs contained in the Auditor-General's report.

### EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

The Committee has considered the work performed by Internal Audit on a quarterly basis and has reviewed the Annual Report on Internal Controls for the year ended 30 June 2011.

An audit opinion of "Major Improvement Needed" was expressed based on the results of the various audit engagements completed during the year under review. The Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control Framework was used as the reporting framework against which the audit results were applied, to form an opinion on each of the COSO components, namely the control environment, risk assessment, control activities, information and communication, and monitoring.

The majority of audit findings reported to the Committee related to the Control Activities and Monitoring components of the COSO framework. The results of audits performed indicated either a lack of documented policies and procedures, inadequacy of existing policies, and policies being poorly understood, therefore not properly implemented.

In relation to the aspect of Monitoring, the audits identified weaknesses in the following areas:

- management and supervisory checks pertaining to compliance with legislation, regulations, policies and procedures;
- the design and implementation of adequate controls; and
- ensuring that implemented controls operate effectively.

Significant management intervention is required to effect improvement in these areas.

The Committee wishes to draw attention to the following aspects flowing from the Annual Report on Internal Controls:

# Report of the audit committee for the year ended 30 June 2011

## Information systems

The Committee noted that the City's IT Governance Framework does not define roles and responsibilities of the different governance structure elements.

At a City department level, business and IT management have not yet defined a list of services delivered by the City and the IT components that are critical to ensure that the City achieves its operational goals.

## Resolving internal control findings

In comparison to the prior financial year, the Committee noted an improvement in the corporate scorecard result measuring the reduction of recurring internal audit findings.

## Combined Assurance Framework

Regular engagements occurred between assurance providers to give effect to the Combined Assurance Framework. However, these engagements continue to be developed and refined to become more effective.

## PERFORMANCE MEASUREMENT

Biannual reports were submitted to Council reporting on the Committee's assessment of the City's Performance Management System for 2010/11, following consideration of the quarterly reports presented by Internal Audit and the review of the quarterly performance results reported by management.

The Committee's review of the City's Performance Management System highlighted a lack of conformance with the SMART criteria as defined by the Framework for Managing Programme Performance Information in respect of performance targets as well as a lack of reliable evidence to support performance information reported.

The Committee recommended that management addresses the deficiencies in the performance information process as highlighted by Internal Audit and the Auditor-General.

## RISK MANAGEMENT

The City has made great strides in the development of risk management within the City and its directorates. This includes the appointment of a Chief Risk Officer, a Risk Management Committee and the development of risk management frameworks and policies, which enabled the formulation of detailed risk registers for each directorate and department. The Chairperson of the Audit Committee is also a member of the Risk Committee.

Further initiatives are required to ensure further embedding of risk management in the City's processes. This would include developing clear guidelines and documented procedures to incorporate risk management into the City's strategic planning processes and the development of performance measurements on an operational level to promote the integration of risk management into the day-to-day operations of the City.

## GOVERNANCE

Council has adopted the corporate governance principles of the King Code and King III report. Further efforts are necessary to achieve alignment with this Code in the area of ethics management.

## CONCLUSION

The Committee is pleased with the progress made by the City in improving overall governance, internal control, risk management and performance management.

The Committee concurs and accepts the conclusions of both Internal Audit and the Auditor-General. The Committee is of the opinion that the audited Annual Financial Statements should be accepted and read together with the Report of the Auditor-General.

The Committee fully supports the City in its vision, as embodied in the IDP and in its journey of improved service delivery to the residents of Cape Town.



Z. Manjra

Chairperson of the Audit Committee

Date: 22 December 2011





# General information

## EXECUTIVE MAYOR: ALDERMAN P. DE LILLE

Executive Deputy Mayor

Alderman I.D. Neilson

### Speaker

Alderman J.D. Smit

### Chief Whip

Alderman A.M. Serritslev

## Members of the Mayoral Committee

- Alderman I.D. Neilson – Finance
- Alderman J.P. Smith – Safety and Security Services
- Alderman D.L. Qually – Corporate Services
- Alderman V.M. Walker – Economic, Environment and Spatial Planning
- Councillor B.A. Cortje-Alcock – Social and Early Childhood Development
- Councillor L.V. James – Health
- Councillor T. Gqada – Community Services
- Councillor B.N. Herron – Transport, Roads and Stormwater
- Councillor G.I. Pascoe – Tourism, Events and Marketing
- Councillor S. Sims – Utility Services
- Councillor E.J. Sonnenberg – Housing

## Members of the Audit Committee

- Z. Manjra Chairperson
- M. Roos Member (appointed with effect from 1 February 2011)
- M.Y. Kajee Member (appointed with effect from 1 February 2011)
- M. Burton Member
- K. Moloko Member

### Auditors

The Auditor-General

Business Connexion Building  
Ring Road, Century Boulevard

#### Century City

7441

Private Bag X1

#### Chempet

7442

### Bankers

ABSA Bank

1st floor, Tijgerpark IV

Willie van Schoor Drive

#### Tyger Valley

7530

PO Box 4453

#### Tyger Valley

7536

### Registered office

12 Hertzog Boulevard

#### Cape Town

8001

PO Box 655

#### Cape Town

8000

### City Manager

Achmat Ebrahim

### Chief Financial Officer

Mike Richardson

# Council members of the City of Cape Town

## COUNCILLOR/ALDERMAN

Abrahams, A.	Gqwangxu, X.	Makeleni, L.C.	Purchase, F.
Abrahams, A.N.	Green, A.M.	Mamba, K.C.	Qoba, Z.L.
Abrahams, F.L.	Gympies, S.C.	Mamkeli, S.	Qually, D.L.
Abrahams, M.M.	Hadebe, B.	Mangali, T.	Rass, B.
Adams, A.	Hansen, B.	March, G.W.	Rau, R.
Adams, F.	Haskin, G.C.R.	Marman, P.I.	Raymond, F.H.L.
Adams, Y.	Hassiem, W.	Matanzima, V.	Rossouw, S.J.
America, D.	Haywood, M.	Matha, M.S.	Sakathi, T.
Amira, D.	Hebe, L.A.	Maxheke, J.J.	Schäfer, B.A.
Andrews, E.P.	Hendricks, M.G.E.	Maxiti, P.	Serritslev, A.M.
Andrews, J.A.	Herron, B.N.	Mbandezi, S.	Sikhakhane, N.
Anstey, E.	Heuvel, J.A.	Mbonde, M.E.	Siljeur, G.R.
Arendse, M.T.	Heynes, P.C.	McCarthy, J.	Simons, R.S.
Arendse, R.	Hinana, E.N.	Mfusi, V.N.	Sims, S.
Arendse, S.W.P.	Honono, T.T.	Mhlanga, C.	Sitonga, M.C.
Ariefdien, M.	Hoosain, J.	Middleton, J.H.	Slabbert, J.D.
August, S.N.	Ipser, C.W.	Mkutswana, M.A.	Smit, J.D.
Badela, D.	Isaacs, L.I.	Mngxunyeni, P.M.	Smith, J.
Bazier, R.	Isaacs, V.R.	Mofoko, N.M.	Sonnenberg, E.J.
Beneke, R.	Iversen, I.	Morkel, K.H.	Sono, N.P.
Bent, N.L.	Jackson, I.R.	Moses, A.C.	Sopaqa, M.M.
Bew, C.B.	Jacobs, B.M.	Moses, R.M.	Sotashe, X.
Bloor, G.M.	Jacobs, J.	Moshani, N.A.	Taylor, M.J.
Brady, W.E.	Jaffer, L.	Mphila, D.	Thomas, C.R.
Bredenhand, J.C.	Jaftha, W.D.	Msindwana, M.E.	Thomas, G.H.J.
Brenner, H.I.	James, L.V.	Mxolose, W.S.	Thompson, T.B.
Britz, M.T.	Janse van Rensburg, C.	Mzalisa, M.N.	Thuynsma, J.
Brunette, E.N.	Jansen van Vuuren, M.I.	Ndamase, T.	Timm, G.
Bryant, D.W.	Jefferies, I.K.	Ndongeni, A.X.	Toko, M.S.
Brynard, C.A.	Jordaan, C.	Ndzulwana, N.	Twigg, G.G.
Burger, J.H.H.	Jordaan, L.D.	Neilson, I.D.	Tyhalisisu, V.K.T.
Cavanagh, G.V.	Joseph, D.	Nenzani, S.M.	Uys, T.A.
Chapple, P.H.	Justus, C.R.	Ngqame, Y.A.	Van Dalen, B.
Christians, D.J.	Kannenberg, A.C.K.	Ngqose, N.S.	Van der Merwe, B.
Christians, F.C.	Kearns, F.	Nguzo, M.	Van der Merwe, C.G.
Claasen, C.P.V.	Kempthorne, M.L.	Nieuwoudt, M.J.	Van der Merwe, J.F.H.
Clayton, C.C.	Khatshwa, D.M.	Nikelo, M.	Van der Rheede, A.
Cortje-Alcock, B.A.	Kinahan, O.M.	Nkohla, L.	Van der Walt, M.L.
Cottee, D.G.	Kleinsmith, M.E.	Nkunzana, F.M.	Van Minnen, B.M.
Crous, A.C.	Komeni, A.L.	Nonkeyizana, S.	Van Wyk, C.H.S.
D'Alton, D.J.	Kopman, N.F.	Notana, E.	Velem, M.
Davids, M.M.	Krynauw, J.	Nqavashe, M.L.	Venter, J.D.
De Lille, P.	Landingwe, N.J.	Nqulwana, M.	Viljoen, R.
Diamond, S.P.	Lategan, K.H.	Ntotoviyane, C.	Visser, J.
Dyantyi, V.D.	Le Roux, B.	Nykatya, N.C.	Vos, J.
Ehrenreich, A.J.	Leputhing, C.N.	O'Connell, R.A.	Vuba, S.T.
Elese, D.	Liell-Cock, S.P.	Oliver, M.J.	Walker, V.M.
Esau, C.J.	Lili, A.	Pakela-Mapasa, X.B.	Watkins, B.R.W.
Fourie, A.	Limberg, X.T.	Pascoe, G.I.	Weavers, M.
Fourie, G.D.	Little, S.A.	Peter, X.G.	Williams, A.
Francke, P.	Mabandla, M.	Philander, S.	Yalezo, S.
Gabier, A.	Maci, L.	Pienaar, S.	Yozi, S.K.
Gabriel, P.J.	Mack, C.J.	Pietersen, M.P.	Zondani, L.G.
Gabuza, A.	Makanda, M.N.	Pretorius, I.J.	
Gqada, T.	Makasi, N.	Pringle, S.B.	
Gqola, T.L.	Makeleni, K.	Pupa, T.	

# Approval of the consolidated financial statements

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## **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 30 June 2011

### **APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

I am responsible for the preparation of these consolidated annual financial statements, as set out on pages 132 to 203 in terms of section 126(1) of the Municipal Finance Management Act, and have accordingly signed the statements on behalf of the Entity.

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 30 to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office-bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



Achmat Ebrahim

City Manager

Date: 30 September 2011

# Report by the Chief Financial Officer

## FINANCIAL REVIEW

This review sets out highlights of the Entity's financial performance for the past year. Full details appear in the annual financial statements.

## OVERVIEW OF ENTITY RESULTS

The Entity performed well over the past year despite the prevailing economic and market conditions. The Entity continued to monitor the impact of the economic conditions on its finances and ensured that it responded appropriately. No meaningful economic impact was experienced from the global recession. The Entity's cash flow has remained strong.

The financial results once again show that the Entity was committed to supporting social infrastructure investments, the demand for which continues to outstrip the Entity's resources. The Entity recognises the need to do more with less and to maximise the value of every rand spent. Notwithstanding the demands placed on its resources, the Entity's key financial performance indicators were within its internal targets for good management.

The overall summarised operating results for the Entity in comparison to the approved budget are shown below. The statement of financial performance reflects a summary of income and expenditure, while the segmental operating results per service are shown in Appendix C to the consolidated annual financial statements.

	2011		2010	2010 – 2011
	Actual R'000	Budget R'000	Actual R'000	Growth %
<b>Revenue</b>				
Property rates	4 524 363	4 286 860	3 837 920	17,89
Service charges	10 493 553	10 734 377	8 866 059	18,36
Grants and subsidies – operating	1 385 536	1 508 930	1 179 543	17,46
Fuel levy	1 510 960	1 510 960	1 371 610	10,16
Other	1 375 063	1 553 780	1 428 958	(3,77)
	<b>19 289 475</b>	<b>19 594 907</b>	<b>16 684 090</b>	<b>15,62</b>
<b>Expenses</b>				
Employee benefits	6 160 448	6 347 028	5 632 296	9,38
Impairment costs	799 494	1 004 115	684 377	16,82
Net depreciation and amortisation expenses – see note 32	799 433	754 558	610 245	31,00
Finance costs	719 170	780 723	645 427	11,43
Bulk purchases	4 620 165	4 656 592	3 636 889	27,04
Contract services	2 081 964	1 993 216	1 965 717	5,91
Other	3 119 432	3 576 259	2 964 127	5,24
	<b>18 300 106</b>	<b>19 112 491</b>	<b>16 139 078</b>	<b>13,39</b>
<b>Net operating surplus</b>	<b>989 369</b>	<b>482 416</b>	<b>545 012</b>	
Grants and subsidies – capital	1 235 135	1 803 255	2 024 464	
Grant-funded assets financed from reserve	(484 249)	(495 219)	(401 673)	
<b>Surplus</b>	<b>1 740 255</b>	<b>1 790 452</b>	<b>2 167 803</b>	
Appropriation and taxation	(683 285)	(1 384 225)	(1 718 705)	
<b>Net result</b>	<b>1 056 970</b>	<b>406 227</b>	<b>449 098</b>	

Over the past year, consolidated revenues increased by 15,62% to R19,29 billion. Service charges grew by 18,36% while growth of property rates was 17,89%. Consolidated revenues were approximately 1,5% lower than the budgeted amount.

On the other hand, consolidated operating expenses increased by 13,39% to R18,30 billion. Net depreciation costs grew by 31% due to an increase in additions to property, plant and equipment, while bulk purchases grew by 27%. Finance costs on loans increased from R645,43 million to R719,17 million, which resulted from having funded infrastructure investments with debt during 2010. Repairs and maintenance for the Entity were R1,71 billion for the year (2010: R1,58 billion) and constitute the major portion of contracted services, while spending amounted to 102,29% (2010: 103,40%) of the budgeted amount. The Entity does not intend to cut back on repairs and maintenance programmes, as they are critical to the organisation. These programmes are monitored closely, because the preservation of assets is essential for continued service delivery.

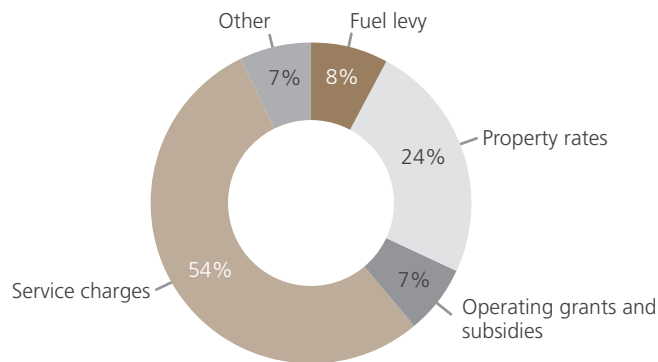
In addition, the Entity reported a net operating surplus of R989,37 million (2010: R545,01 million) against a budgeted surplus of R482,42 million. The improved result was mainly due to stringent expenditure controls, as detailed above. Of this amount, R570,50 million has been transferred to the capital replacement reserve to support the capital renewal programme.

# Report by the Chief Financial Officer

## Operating revenue

The major revenue streams that supported the Entity's programmes and activities were:

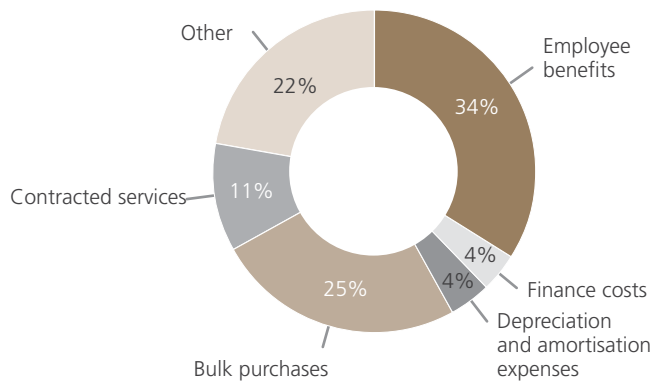
- property rates;
- service charges which are made up of:
  - electricity sales;
  - water sales;
  - wastewater management (sewerage and sanitation); and
  - waste management (solid waste);
- fuel levy;
- government grants; and
- other



Further details of service charges are contained in note 22 to the consolidated annual financial statements.

## Operating expenditure

The following graph indicates the main categories of expenditure for the year under review. The proactive management control and containment of cost increases remain a key priority of the Entity.



Further details are contained in notes 29 to 37 to the consolidated annual financial statements.



# Report by the Chief Financial Officer

## OPERATING RESULTS PER SERVICE

The following is a summary of the operating results of the various services.

### Rates and general services

	2011			2010
	Actual R'000	Budget R'000	Variance R'000	Actual R'000
Revenue	10 526 672	10 515 349	(11 323)	9 415 556
Expenditure	(10 589 117)	(11 233 608)	(644 491)	(9 793 468)
Operating deficit for the year	<b>(62 445)</b>	<b>(718 259)</b>	<b>(655 814)</b>	<b>(377 912)</b>
Capital and subsidies – capital	1 030 700	1 564 830	534 130	1 764 895
Results for the year – see Appendix C	<b>968 255</b>	<b>846 571</b>	<b>(121 684)</b>	<b>1 386 983</b>
Appropriations	(578 329)	(1 046 606)	(468 277)	(1 231 876)
Net results for the year	<b>389 926</b>	<b>(200 035)</b>	<b>(589 961)</b>	<b>155 107</b>

The lower-than-expected net operating deficit in relation to the budget is mainly due to the Entity's stringent expenditure controls.

### Utility services

	2011			2010
	Actual R'000	Budget R'000	Variance R'000	Actual R'000
Revenue	13 507 981	13 750 401	242 420	11 487 604
Expenditure	(12 948 489)	(13 052 140)	(103 651)	(10 986 893)
Operating surplus for the year	<b>559 492</b>	<b>698 261</b>	<b>138 769</b>	<b>500 711</b>
Capital and subsidies – capital	204 435	238 425	33 990	259 569
Result for the year – see Appendix C	<b>763 927</b>	<b>936 686</b>	<b>172 759</b>	<b>760 280</b>
Appropriations	(98 501)	(337 619)	(239 118)	(481 290)
Net results for the year	<b>665 426</b>	<b>599 067</b>	<b>(66 359)</b>	<b>278 990</b>

The lower-than-expected net operating surplus of the Entity in relation to the budget is mainly due to an under-recovery of electricity revenue as a result of consumers' heightened awareness of the need for electricity savings and the Entity's carbon reduction efforts.

### Subsidiaries (controlled and municipal entities)

	2011			2010
	Actual R'000	Budget R'000	Variance R'000	Actual R'000
Revenue	238 910	222 786	(16 124)	222 950
Expenditure	(230 837)	(215 591)	15 246	(202 410)
Results for the year – see Appendix C	<b>8 073</b>	<b>7 195</b>	<b>(878)</b>	<b>20 540</b>
Taxation	(6 455)	–	6 455	(5 539)
Net results for the year	<b>1 618</b>	<b>7 195</b>	<b>5 577</b>	<b>15 001</b>

The higher-than-expected net operating surplus in relation to the budget is due to increased income.

## CAPITAL FUNDING PROGRAMME

A R7 billion programme was registered with the JSE Limited (JSE) on 30 May 2008.

The Entity has to date taken up R4,2 billion to fund its infrastructure investments. No amounts were taken up during the year under review. As a result of newly released JSE Listings Requirements, the Entity appointed Standard Bank as its debt sponsor. Please see note 12 detailing the Entity's long-term borrowings.

# Report by the Chief Financial Officer

## CAPITAL EXPENDITURE

As at 30 June 2011, the Entity's investment in property, plant and equipment amounted to R2,89 billion, compared to R4,68 billion for the previous financial period. This represents a 77,03% (2010: 83,12%) implementation of the approved capital budget, taking into account a contingent amount of R270 million.

The underspending was due mainly to:

- savings on completed projects;
- delays due to materials supply constraints;
- delays due to community interference;
- delays due to late receipt of donor funding; and
- delays due to tender appeals.

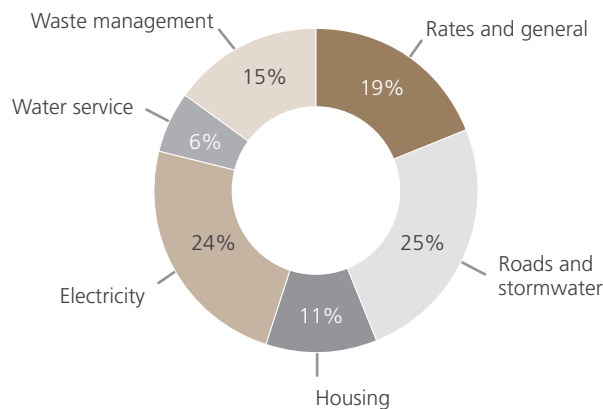
In addition, the capital expenditure figures are understated, as certain expenditure has not been accounted for since the City is in dispute with certain service providers. See note 48.2 on contractual disputes for more information.

The funding for selected underspent projects amounting to R525,1 million has been rolled over into the forthcoming financial year.

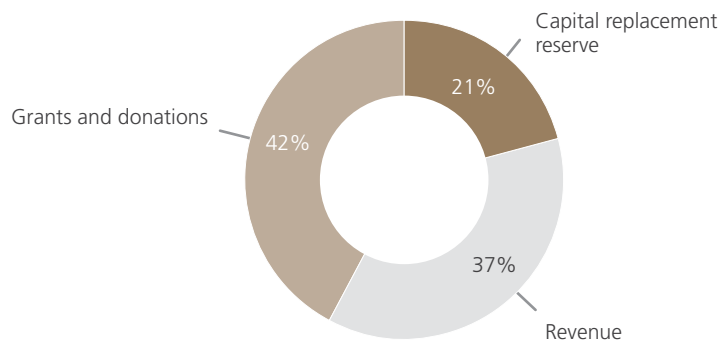
Capital commitments as at 30 June 2011 amounted to R898,53 million (2010: R1 663,54 million).

The charts given below reflect the expenditure in categories of assets and the corresponding funding sources

### Property, plant and equipment



### Source of finance



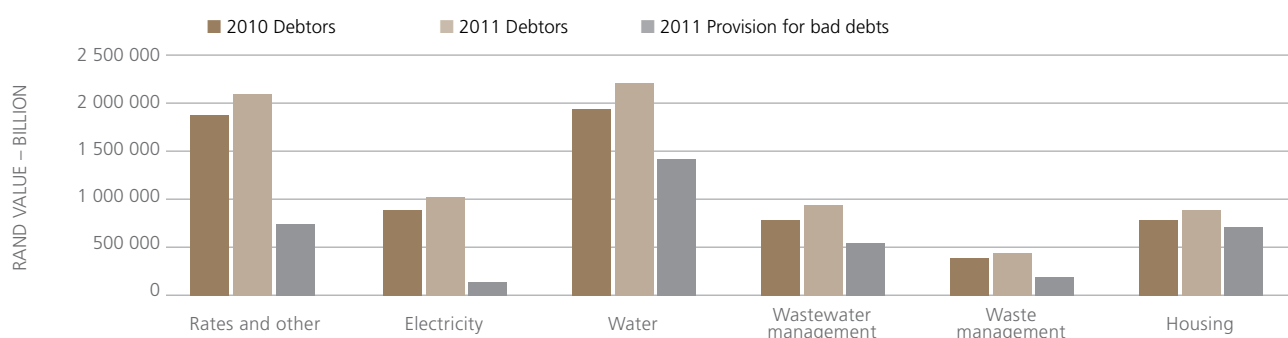
A complete analysis of capital expenditure (budgeted and actual) per functional area is included in Appendix C, while Appendix B contains details according to asset class. More details regarding external loans used to finance fixed assets are shown in Appendix A.

# Report by the Chief Financial Officer

## CONSUMER DEBTORS

Outstanding consumer debtors as at 30 June 2011 were R7,52 billion (2010: R6,66 billion). Total provision for impairment increased from R3,30 billion to R3,82 billion, which represents 50,72% of the total outstanding consumer debtors. The increase in debt in arrears is largely due to the raising of interest on arrear indigent debtors in arrears. The City is currently embarking on a programme to write off these amounts, subject to the installation of water management devices. In accordance with this policy, an amount of R272,69 million has been written off during the year under review.

The outstanding consumer debtors as at 30 June 2011 are represented graphically below, also reflecting the coverage by the provision for impairment.



## INVESTMENTS, CASH AND BORROWING

Investments as at 30 June 2011 amounted to R2,26 billion, of which R477,00 million was set aside for the repayment of loans. Cash and cash equivalents, which represents cash and deposits with a maturity term of less than three months decreased by R1,35 billion to R3,30 billion.

Interest-bearing debt reduced by R253,95 million for the year ended 30 June 2011. The Entity repaid interest-bearing debt of R263,68 million for the financial year under review.

Additional information regarding investments, cash and cash equivalents and loans are provided in notes 6, 11 and 12 as well as Appendix A to the consolidated annual financial statements.

## CASH FLOW ANALYSIS

The following table shows information regarding the Entity's consolidated cash flows for the year under review.

	2011 R'million	2010 R'million
Cash from operating activities	3 703	3 713
Cash from investing activities	(4 793)	(3 407)
Cash from financing activities	(260)	1 587

### Cash flows from operating activities

The Entity's sources of liquidity are cash flows from operating activities and borrowings. Cash flows from operating activities decreased from R3,71 billion to R3,70 billion, primarily due to the increased finance costs to fund the 2010 infrastructure investments. The Entity's working capital requirements have steadily increased over the years and are expected to be funded by cash generated from operations, with no shortfall being funded from short-term borrowings.

### Cash flows from investing activities

Cash flows from investing activities relate primarily to investments in capital expenditure and short-term investments of longer than three months. Excluding the short-term investments, the decrease in cash flows used in investing activities in the 2011 financial year was as a result of the reduction in grant-funded capital expenditure.

### Cash flows from financing activities

In the 2011 financial year cash flows from financing activities were primarily due to the repayment of loans.

# Report by the Chief Financial Officer

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## **CREDIT RATING**

The Entity is rated by Moody's Investors Service. During the year under review, Moody's retained their rating and outlook for the Entity as Aa2.za stable outlook. However, during November 2011, Moody's amendment of the country's sovereign rating outlook, from stable to negative, has had a knock-on effect on the City's outlook, which has now also been downgraded from stable to negative. To monitor its credit rating and capacity for long-term financing, the City considers various qualitative and quantitative factors. As at 30 June 2011 and 30 June 2010, the gearing ratio, which is net debt divided by total capital plus net debt, was 21,90% and 25,49% respectively. For the purpose of this calculation, net debt is defined in note 45.4 of the consolidated annual financial statements.

## **EXPRESSION OF APPRECIATION**

I wish to convey my sincere appreciation to the Executive Mayor, the Mayoral Committee, the Chairperson and members of the Finance Portfolio Committee, the Audit Committee, the Standing Committee of Public Accounts (SCOPA), the City Manager and Executive Management Team for their support and cooperation during the year.

A special word of gratitude goes to all financial staff, especially the accounting staff, for their contribution, and to the staff of the Auditor-General, the auditors appointed by him, as well as their staff, for conducting the external audit and for their assistance, support and cooperation during the year.

Finally, a further word of thanks to everybody for the months of hard work, sacrifices and concerted effort during the year to enable the Entity to finalise these consolidated annual financial statements within the prescribed period.



Mike Richardson  
Chief Financial Officer

# Statement of financial position as at 30 June 2011

		Economic Entity		Municipality of Cape Town	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
			Restated		Restated
Note					
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>22 028 520</b>	<b>20 617 038</b>	<b>21 882 359</b>	<b>20 470 323</b>
	Property, plant and equipment	21 659 720	20 133 732	21 474 791	19 948 249
	Heritage assets	11 914	10 002	11 914	10 002
	Investment property	84 999	87 060	84 999	87 060
	Intangible assets	44 884	31 709	44 884	31 709
	Investments	111 477	235 477	150 245	274 245
	Long-term receivables	115 526	119 058	115 526	119 058
<b>Current assets</b>		<b>9 616 637</b>	<b>8 620 943</b>	<b>9 455 320</b>	<b>8 468 192</b>
	Assets classified as held for sale	126	66	126	66
	Inventory	236 634	199 558	235 249	197 080
	Trade receivables	3 706 347	3 360 962	3 709 111	3 361 410
	Other receivables	203 612	329 545	193 788	321 101
	Investments	2 146 596	59 876	2 146 596	59 876
	Current portion of long-term receivables	19 193	17 480	19 193	17 480
	Cash and cash equivalents	3 304 129	4 653 456	3 151 257	4 511 179
<b>TOTAL ASSETS</b>		<b>31 645 157</b>	<b>29 237 981</b>	<b>31 337 679</b>	<b>28 938 515</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>		<b>8 882 088</b>	<b>8 618 000</b>	<b>8 856 173</b>	<b>8 590 155</b>
	Long-term borrowings	5 361 398	5 559 646	5 343 836	5 541 041
	Provisions	3 512 337	3 049 114	3 512 337	3 049 114
	Deferred taxation	8 353	9 240	–	–
<b>Current liabilities</b>		<b>5 943 541</b>	<b>5 534 253</b>	<b>5 893 533</b>	<b>5 492 569</b>
	Deposits	244 695	242 593	233 492	229 160
	Provisions	770 144	741 818	767 671	739 446
	Payables	3 356 178	3 084 475	3 321 917	3 062 887
	Unspent conditional grants and receipts	1 207 732	1 048 440	1 207 732	1 048 440
	VAT	57 368	51 161	57 368	51 161
	Taxation	528	3 167	–	–
	Current portion of long-term borrowings	306 896	362 599	305 353	361 475
<b>Total liabilities</b>		<b>14 825 629</b>	<b>14 152 253</b>	<b>14 749 706</b>	<b>14 082 724</b>
<b>NET ASSETS</b>					
<b>Total net assets</b>		<b>16 819 528</b>	<b>15 085 728</b>	<b>16 587 973</b>	<b>14 855 791</b>
	Housing Development Fund	539 070	531 472	539 070	531 472
	Reserves	1 771 534	1 839 091	1 771 534	1 839 091
	Accumulated surplus	14 376 480	12 581 561	14 277 369	12 485 228
	Non-controlling interest	132 444	133 604	–	–
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>31 645 157</b>	<b>29 237 981</b>	<b>31 337 679</b>	<b>28 938 515</b>

# Statement of financial performance for the year ended 30 June 2011

	Note	Economic Entity		Municipality of Cape Town	
		2011 R'000	2010 R'000 Restated	2011 R'000	2010 R'000 Restated
<b>REVENUE</b>					
<b>Exchange revenue</b>		<b>11 702 140</b>	<b>10 140 432</b>	<b>11 471 238</b>	<b>9 923 838</b>
Service charges	22	10 493 553	8 866 059	10 359 727	8 735 777
Rental of letting stock and facilities	23	250 316	267 023	250 316	267 023
Finance income	24	530 589	516 415	522 070	506 533
Licences and permits		37 645	33 054	37 645	33 054
Agency services		115 991	111 097	115 991	111 097
Other income	25	253 435	267 664	164 909	191 234
Gains on disposal of property, plant and equipment		20 611	79 120	20 580	79 120
<b>Non-exchange revenue</b>		<b>8 822 470</b>	<b>8 568 121</b>	<b>8 909 448</b>	<b>8 641 221</b>
City Improvement Districts (CIDs)	25	–	–	81 409	68 709
Property rates	26	4 524 363	3 837 920	4 529 932	3 841 314
Fuel levy		1 510 960	1 371 610	1 510 960	1 371 610
Fines		166 476	154 584	166 476	154 584
Government grants and subsidies	27	2 558 851	3 120 058	2 558 851	3 120 058
Public contributions	28	61 820	83 949	61 820	84 946
<b>Total revenue</b>		<b>20 524 610</b>	<b>18 708 553</b>	<b>20 380 686</b>	<b>18 565 059</b>
<b>EXPENDITURE</b>					
Employee-related costs	29	6 160 448	5 632 296	6 123 767	5 599 436
Remuneration of councillors	30	88 858	84 677	88 621	84 451
Impairment costs	31	799 494	684 377	783 092	681 312
Collection costs		174 755	167 822	174 755	167 822
Depreciation and amortisation expenses	32	1 283 682	1 011 918	1 262 100	991 349
Finance costs	33	719 170	645 427	717 475	643 495
Bulk purchases	34	4 620 165	3 636 889	4 620 165	3 636 889
Contracted services		2 081 964	1 965 717	2 010 269	1 895 231
Grants and subsidies paid	35	93 393	94 225	93 382	94 193
General expenses	36	2 758 724	2 613 966	2 771 349	2 620 543
Loss on disposal of property, plant and equipment		3 702	3 437	3 529	3 076
<b>Total expenditure</b>		<b>18 784 355</b>	<b>16 540 751</b>	<b>18 648 504</b>	<b>16 417 797</b>
<b>Surplus</b>		<b>1 740 255</b>	<b>2 167 802</b>	<b>1 732 182</b>	<b>2 147 262</b>
<b>Taxation</b>	37	(6 455)	(5 539)	–	–
<b>Surplus after taxation</b>		<b>1 733 800</b>	<b>2 162 263</b>	<b>1 732 182</b>	<b>2 147 262</b>
Attributable to owners of the controlling entity		<b>1 734 960</b>	<b>2 155 216</b>		
Attributable to non-controlling interest	20.2	(1 160)	7 047		
<b>SURPLUS FOR THE YEAR</b>		<b>1 733 800</b>	<b>2 162 263</b>		



# Statement of changes in net assets for the year ended 30 June 2011

## Economic Entity

	Housing development fund	Capital replacement reserve	Self-insurance reserve	Accumulated surplus	Non-controlling interest	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>2009</b>						
<b>Balance as at 30 June 2009</b>	<b>510 851</b>	<b>1 042 091</b>	<b>734 458</b>	<b>10 346 931</b>	<b>127 072</b>	<b>12 761 403</b>
Restatement of assets	–	–	–	(519)	(515)	(1 034)
Fair value adjustment	–	–	–	7 988	–	7 988
Adjustment of VAT liability	–	–	–	155 108	–	155 108
	<b>510 851</b>	<b>1 042 091</b>	<b>734 458</b>	<b>10 509 508</b>	<b>126 557</b>	<b>12 923 465</b>
<b>2010</b>						
<b>Restated surplus at 1 July 2010</b>	–	–	–	2 155 216	7 047	2 162 263
Surplus at 30 June 2010 – previously reported	–	–	–	2 114 472	7 100	–
Restatement due to asset reassessment	–	–	–	(54)	(53)	–
Correction of errors – refer note 46.3	–	–	–	41 955	–	–
Fair value adjustments	–	–	–	(1 157)	–	–
Transfer to/(from)	49 247	948 473	(76 283)	(921 437)	–	–
Property, plant and equipment purchased	(28 626)	(809 648)	–	838 274	–	–
<b>Balance as at 30 June 2010 – refer note 46</b>	<b>531 472</b>	<b>1 180 916</b>	<b>658 175</b>	<b>12 581 561</b>	<b>133 604</b>	<b>15 085 728</b>
<b>2011</b>						
Net surplus for the year	–	–	–	1 734 960	(1 160)	1 733 800
Transfer to/(from)	30 453	570 495	(73 012)	(527 936)	–	–
Property, plant and equipment purchased	(22 855)	(565 040)	–	587 895	–	–
<b>Balance as at 30 June 2011</b>	<b>539 070</b>	<b>1 186 371</b>	<b>585 163</b>	<b>14 376 480</b>	<b>132 444</b>	<b>16 819 528</b>

## Municipality of Cape Town

	Housing development fund	Capital replacement reserve	Self-insurance reserve	Accumulated surplus	Total
	R'000	R'000	R'000	R'000	R'000
<b>2009</b>					
<b>Balance at 30 June 2009</b>	<b>510 851</b>	<b>1 042 091</b>	<b>734 458</b>	<b>10 258 033</b>	<b>12 545 433</b>
Fair value adjustment	–	–	–	7 988	7 988
Adjustment of VAT liability	–	–	–	155 108	155 108
	<b>510 851</b>	<b>1 042 091</b>	<b>734 458</b>	<b>10 421 129</b>	<b>12 708 529</b>
<b>2010</b>					
<b>Restated surplus at 1 July 2010</b>	–	–	–	2 147 262	2 147 262
Surplus at 30 June 2010 – previously reported	–	–	–	2 105 574	–
Correction of errors – refer note 46.3	–	–	–	42 845	–
Fair value adjustments	–	–	–	(1 157)	–
Transfer to/(from)	49 247	948 473	(76 283)	(921 437)	–
Property, plant and equipment purchased	(28 626)	(809 648)	–	838 274	–
<b>Balance at 30 June 2010 – refer note 46</b>	<b>531 472</b>	<b>1 180 916</b>	<b>658 175</b>	<b>12 485 228</b>	<b>14 855 791</b>
<b>2011</b>					
Net surplus for the year	–	–	–	1 732 182	1 732 182
Transfer to/(from)	30 453	570 495	(73 012)	(527 936)	–
Property, plant and equipment purchased	(22 855)	(565 040)	–	587 895	–
<b>Balance at 30 June 2011</b>	<b>539 070</b>	<b>1 186 371</b>	<b>585 163</b>	<b>14 277 369</b>	<b>16 587 973</b>

# Cash flow statement for the year ended 30 June 2011

	Note	Economic Entity		Municipality of Cape Town	
		2011 R'000	2010 R'000 Restated	2011 R'000	2010 R'000 Restated
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other		19 157 926	17 107 099	19 021 927	16 973 371
Cash paid to suppliers and employees		(15 245 924)	(13 251 309)	(15 163 792)	(13 151 987)
Cash generated from operations	38	3 912 002	3 855 790	3 858 135	3 821 384
Finance income		512 376	509 915	503 857	500 033
Finance costs		(710 888)	(645 427)	(717 475)	(643 495)
Taxation		(9 981)	(7 361)	–	–
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>3 703 509</b>	<b>3 712 917</b>	<b>3 644 517</b>	<b>3 677 922</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Additions to property, plant and equipment		(2 895 348)	(4 677 480)	(2 857 761)	(4 663 925)
Proceeds on disposal of assets		63 604	82 783	63 278	82 380
(Increase) in assets held for sale		(60)	(66)	(60)	(66)
Decrease in non-current receivables		1 819	42 673	1 819	42 673
(Increase)/decrease in investments		(1 962 720)	1 145 441	(1 962 720)	1 145 441
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(4 792 705)</b>	<b>(3 406 649)</b>	<b>(4 755 444)</b>	<b>(3 393 497)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
New loans raised and interest capitalised		335	2 125 098	–	2 124 731
Loans repaid		(262 568)	(525 012)	(253 327)	(524 137)
Increase/(decrease) in consumer deposits		2 102	(11 424)	4 332	(6 366)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(260 131)</b>	<b>1 588 662</b>	<b>(248 995)</b>	<b>1 594 228</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	39	<b>(1 349 327)</b>	<b>1 894 930</b>	<b>(1 359 922)</b>	<b>1 878 653</b>
Cash and cash equivalents at the beginning of the year		4 653 456	2 758 526	4 511 179	2 632 526
<b>Cash and cash equivalents at the end of the year</b>		<b>3 304 129</b>	<b>4 653 456</b>	<b>3 151 257</b>	<b>4 511 179</b>

# Statement of comparison of budget and actual amounts for the year ended 30 June 2011

	Note	Actual expenditure R'000	Approved budget R'000	Final budget R'000	Variance: Final budget and actual amounts R'000	Variance %
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>41.2.1</b>						
Total non-current assets		22 028 520	23 960 664	22 456 571	428 051	1,91
Total current assets	i	9 616 637	6 785 281	7 058 692	(2 557 945)	(36,24)
<b>Total assets</b>		<b>31 645 157</b>	<b>30 745 945</b>	<b>29 515 263</b>	<b>(2 129 894)</b>	<b>(7,22)</b>
Total non-current liabilities		8 882 088	9 724 720	8 734 846	(147 242)	(1,69)
Total current liabilities	ii	5 943 541	4 991 398	4 296 409	(1 647 132)	(38,34)
<b>Total liabilities</b>		<b>14 825 629</b>	<b>14 716 118</b>	<b>13 031 255</b>	<b>(1 794 374)</b>	<b>(13,77)</b>
Total net assets		16 819 528	16 029 827	16 484 008	(335 520)	(2,04)
<b>Total net assets and liabilities</b>		<b>31 645 157</b>	<b>30 745 945</b>	<b>29 515 263</b>	<b>(2 129 894)</b>	<b>(7,22)</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>41.2.2</b>						
Service charges		10 493 553	10 746 478	10 734 377	240 824	2,24
Rental of letting stock and facilities		250 316	244 503	250 087	(229)	(0,09)
Finance income	i	530 589	433 214	429 678	(100 911)	(23,49)
Licences and permits	ii	37 645	28 764	28 764	(8 881)	(30,88)
Agency services		115 991	115 993	115 993	2	-
Other income		253 435	1 760 230	260 522	7 087	2,72
Gains on disposal of property, plant and equipment	iii	20 611	310 444	293 967	273 356	92,99
Property rates	iv	4 524 363	4 286 860	4 286 860	(237 503)	(5,54)
Fuel levy		1 510 960	1 510 960	1 510 960	-	-
Fines		166 476	180 569	174 769	8 293	4,74
Government grants and subsidies	v	2 558 851	1 603 122	3 223 901	665 050	20,63
Public contributions	vi	61 820	64 379	88 284	26 464	29,98
<b>Total revenue</b>		<b>20 524 610</b>	<b>21 285 516</b>	<b>21 398 162</b>	<b>873 552</b>	<b>4,08</b>
Employee-related costs		6 160 448	6 533 950	6 347 028	186 580	2,94
Remuneration of councillors		88 858	92 666	92 522	3 664	3,96
Impairment costs	i	799 494	967 958	1 004 115	204 622	20,38
Collection costs	ii	174 755	190 447	188 693	13 938	7,39
Depreciation and amortisation expenses		1 283 682	1 213 199	1 249 777	(33 905)	(2,71)
Finance costs	iii	719 170	739 507	780 723	61 553	7,88
Bulk purchases		4 620 165	4 738 992	4 656 592	36 427	0,78
Contracted services		2 081 964	2 108 941	1 993 216	(88 748)	(4,45)
Grants and subsidies paid		93 393	44 557	96 240	2 847	2,96
General expenses	iv	2 758 724	2 979 497	3 198 804	440 080	13,76
Loss on disposal of property, plant and equipment		3 702	-	-	(3 702)	-
<b>Total expenditure</b>		<b>18 784 355</b>	<b>19 609 714</b>	<b>19 607 710</b>	<b>823 356</b>	<b>4,20</b>
<b>Net surplus for the year</b>		<b>1 740 255</b>	<b>1 675 802</b>	<b>1 790 452</b>	<b>50 198</b>	<b>2,80</b>
<b>CASH FLOW STATEMENT</b>						
<b>41.2.3</b>						
Net cash from (used) operating	i	3 703 509	2 892 220	1 605 967	(2 097 542)	(130,61)
Net cash from (used) investing	ii	(4 792 705)	(3 407 165)	(2 959 108)	1 833 597	(61,96)
Net cash from (used) financing	iii	(260 131)	861 277	(239 807)	20 324	(8,47)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1 349 327)</b>	<b>346 332</b>	<b>(1 592 948)</b>	<b>(243 621)</b>	<b>15,29</b>
<b>CAPITAL EXPENDITURE</b>						
<b>41.2.4</b>						
Executive and council		7 960	6 516	8 153	193	2,37
Budget and treasury office	i	11 787	7 626	13 430	1 643	12,23
Corporate services		150 457	140 891	157 344	6 887	4,38
Planning and development	ii	31 338	49 507	33 582	2 244	6,68
Health	iii	12 352	11 984	16 893	4 541	26,88
Community and social services	iv	59 321	67 132	87 440	28 119	32,16
Public safety	v	67 522	90 899	87 298	19 776	22,65
Sport and recreation <sup>1</sup>	vi	169 973	259 313	236 510	66 537	28,13
Environmental protection	vii	7 017	24 669	11 053	4 036	36,51
Road transport	viii	713 944	800 352	1 133 820	419 876	37,03
Housing	ix	321 970	620 708	453 574	131 604	29,01
Waste management	x	421 395	610 846	516 293	94 898	18,38
Water	xi	177 559	195 951	193 194	15 635	8,09
Electricity	xii	704 756	718 471	774 760	70 004	9,04
Other	xiii	37 997	18 173	35 573	(2 424)	(6,81)
<b>Total</b>		<b>2 895 348</b>	<b>3 623 038</b>	<b>3 758 917</b>	<b>863 569</b>	<b>22,97</b>

1. The final approved budget amount does not include a disputed amount due in terms of a completed project of R270 million. For further details, please see note 48.2.

## GENERAL INFORMATION

The address of the Economic Entity's registered office and principal place of business is disclosed under "General information" while the Entity's principal activities are described in the introduction to the annual financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Entity's principal accounting policies, which are in all material respects consistent with those applied in the previous year, except as stated in note 46, are set out below. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The financial statements have been prepared on a going-concern basis.

### Basis of presentation

The financial statements have been prepared in accordance with the standards of generally recognised accounting practice (GRAP), issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective.

The ASB has issued a directive that sets out the principles for the application of the GRAP 3 guidelines in determining the GRAP Reporting Framework hierarchy, as set out in the "Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors".

In the process of applying the Entity's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

- **Operating lease commitments – Entity as lessor**

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

- **Pension and other post-employment benefits**

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Impairment of trade receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments judging by their creditworthiness. This was performed per service-identifiable categories across all debtor classes.

- **Property, plant and equipment**

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to

determine the optimum useful-life expectation, where appropriate. The estimate of residual values of assets is also based on management's judgement on whether the assets will be sold or used to the end of their useful lives and what their condition will be at that time.

- **Provisions and contingent liabilities**

Management's judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in notes 13 and 48.2 respectively. Provisions are discounted where the effect of discounting is material, using actuarial assumptions.

- **Budget information**

Deviations between budget and actual amounts are regarded as material when a 5% difference exists.

All material differences are explained in the notes to the annual financial statements.

### Adoption of new and revised standards

In the current year the Entity has adopted all new and revised standards and interpretations issued by the Accounting Standards Board (ASB) that are relevant to its operations and are effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.

The Entity has not adopted any GRAP standard that is not yet effective, but has based its accounting policies on such standards. Effective dates have been given for some of the standards, while and for others no effective dates have yet been determined. At the date of submission of these financial statements for the year ended 30 June 2011 the following standards had been issued but were not yet effective:

- Annual periods commencing on or after 1 April 2012:
  - GRAP 21 – Impairment of non-cash-generating assets
  - GRAP 23 – Revenue from non-exchange transactions (taxes and transfers)
  - GRAP 24 – Presentation of budget information
  - GRAP 26 – Impairment of cash-generating assets
  - GRAP 103 – Heritage assets
- No effective dates provided as yet:
  - GRAP 18 – Segment reporting
  - GRAP 20 – Related party disclosures (revised)
  - GRAP 25 – Employee benefits
  - GRAP 105 – Transfers of functions between entities under common control
  - GRAP 106 – Transfers of functions between entities not under common control
  - GRAP 107 – Mergers

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal.

# Accounting policies for the year ended 30 June 2011

## BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements, firstly stating reasons for overall growth or decline in the budget and, secondly, motivating overspending or underspending on line items.

The annual budget figures included in the financial statements are for the Entity. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

## CONSOLIDATION

The Entity's financial statements incorporate the financial statements of the parent entity, i.e. the City of Cape Town, and all its subsidiaries and joint ventures, presented as a single economic entity, and consolidated at the same reporting date as the parent entity.

### Subsidiaries

Subsidiaries are entities controlled by the Entity. The existence and effect of potential voting rights that are currently exercisable or convertible without restriction are considered when assessing whether the Entity controls another entity. Subsidiaries are consolidated from the date that effective control is transferred to the Entity and are no longer consolidated from the date that effective control ceases. For certain entities, the Entity has entered into contractual arrangements which allows the Entity to have power to exercise control over the operations of such entities. Because the group controls such entities in this manner they are considered to be subsidiaries and are therefore consolidated in the annual financial statements.

All intergroup transactions, balances and unrealised gains and losses are eliminated as part of the consolidated process. The interests of non-controlling shareholders in the consolidated equity and results of the group are shown separately in the consolidated statement of financial position and statement of financial performance respectively. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest, even if doing so causes the non-controlling interest to have a deficit balance.

### Departure from accounting framework

The Khayelitsha Community Trust (KCT) has been excluded from the City's consolidated annual financial statements in terms of GRAP 1, paragraph .25, which stipulates that where, in the opinion of the City, its inclusion in the consolidation "would be so misleading that it would conflict with the objectives of the financial statements", the Entity should depart from such requirement.

The KCT was founded with the sole aim of developing the Khayelitsha central business district (KBD) for the benefit of the beneficiaries of the KCT, namely the community of Khayelitsha. The City has no claim to the assets or revenue of KCT and its beneficiaries, neither is it liable for any of the liabilities of the KCT. The ambit of the KCT's activities does not fall within the City's mandatory powers and functions.

The establishment of the KCT assisted by the City was prior to the promulgation of the Municipal Systems Amendment Act, and, with the enactment of the Amendment Act, the KCT was deemed to be a municipal entity. The basis of the City's opinion is the inclusion of the KCT's assets and liabilities in the consolidation, which would be misleading. While the City has complied with all the applicable standards of GRAP, this departure from GRAP 6 was necessary to achieve a fair presentation of the City's financial position, financial performance and cash flows, as also contemplated in section 122(1)a of the Municipal Finance Management Act.

In conclusion, the City has already started a process that will result in the deproclamation of the KCT as a municipal entity, and which has already been approved by the Mayoral Committee.

Details of the financial results from the latest available audited financial statements are summarised below:

Entity	Khayelitsha Community Trust R'000	KBD Manage- ment (estimated) R'000	KBD Retail Property (estimated) R'000	KBD Housing (estimated) R'000
Total assets	7 891	402	92 346	0,3
Total liabilities	3 806	831	112 299	49,4
Net assets	4 085	(429)	(19 953)	(49,1)
Total revenue	10 061	146	21 596	–
Total expenditure	9 570	208	26 652	42,4

## RESERVES

The Entity creates and maintains reserves in terms of specific requirements.

### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

### Insurance reserve

#### • Self-insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

# Accounting policies for the year ended 30 June 2011

Reinsurance premiums paid to external reinsurers are regarded as an expense and are shown as such in the statement of financial performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the statement of changes in net assets.

An actuarial valuation is obtained each year to assess the adequacy of the insurance reserve at year-end.

- **Compensation for occupational injuries and diseases (COID) reserve**

The Entity has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of section 84 of the COID Act (Act 130 of 1993).

The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires the Entity to deposit cash and/or securities with the Commissioner, of which the total market values in aggregate shall not be less than the capitalised value of the Entity's continuing liability as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds from the reserve to the expense account in the statement of financial performance.

## HOUSING FUNDS

The Housing Development Fund was established in terms of the Housing Act (Act 107 of 1997).

### Housing Development Fund

Sections 15(5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act also requires that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the Entity for housing development in accordance with the National Housing Policy.

### Unrealised housing proceeds

In order to comply with section 14(4)(d)(i) and (ii) of the Housing Act, in terms of which all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account that represents the unrealised funds due by long-term housing selling developments and sponsored loan debtors. This account is reduced when debtors are billed for their current loan repayments.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through a donation, the cost shall be measured at the fair value on the date of acquisition.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the statement of financial performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The Entity maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the statement of financial performance.

### Depreciation rates

Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not insignificant, are reassessed annually with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads and paving	10 – 50	Buildings	6 – 50
Electricity	20 – 30	Specialist vehicles	10 – 20
Water	15 – 30	Other vehicles	4 – 8
Sewerage	15 – 20	Office equipment	3 – 10
Housing	30	Furniture and fittings	6 – 10
		Watercraft	10
<b>Community</b>		Bins and containers	5
Recreational facilities	20 – 30	Plant and equipment	5 – 10
Security	5 – 10	Landfill sites	30
		Central processing units	4

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance.



# Accounting policies for the year ended 30 June 2011

## Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

## Investment properties

Investment properties are held to earn rental income, and/or for capital appreciation, and are stated at cost less accumulated depreciation and accumulated impairment losses. Investment property excludes owner-occupied property that is used in the production or supply of goods or services, or for administrative purposes, or property held to provide a social service.

Investment property other than vacant land is depreciated on the straight-line basis over the useful lives of the assets, estimated at 20 to 50 years.

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

## Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

The Entity recognises computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the Entity, and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Direct computer software development costs recognised as assets are amortised on the straight-line basis over the useful lives of the assets, estimated at three to five years.

## Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to a plan to sell the asset and the sale should be expected to qualify for recognition as a complete sale within one year from the date of classification.

If committed to a sales plan involving the loss of control in a controlled entity, the Entity shall classify all the assets and liabilities of that controlled entity as held for sale when the criteria described above are met.

Assets classified as held for sale are measured at the lower of the asset's carrying amount or fair value less cost to sell.

## Impairment of cash and non-cash-generating assets

The Entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

At the end of each reporting period, carrying amounts of cash-generating and non-cash-generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount or recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual cash-generating asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Cash-generating units shall be identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually at the same time every year as well as whenever there is an indication that the asset may be impaired.

The recoverable amount of a cash-generating asset is the higher of fair value less cost to sell and value in use. The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

The recoverable service amount of a non-cash-generating asset is the higher of fair value less cost to sell and value in use. The value in use is the present value of the remaining service potential of the asset and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used is a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount or recoverable service amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. An impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount, but so that the

increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## FINANCIAL INSTRUMENTS

Financial instruments are recognised when the Entity becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value through the statement of financial performance, transaction costs that are directly attributable to the acquisition or issue of the instrument are added or deducted from the fair value, as appropriate on initial recognition.

### Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

- **Investments at fair value**

Non-derivative investments held without the positive intent or ability to hold to maturity. Subsequent to initial recognition, all changes to fair value are recognised through the statement of financial performance.

- **Investments at amortised cost**

Non-derivative investments with fixed or determinable payments and fixed maturity dates, which the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, such investments are measured at amortised cost using the effective interest method less any impairment.

- **Investments at cost**

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured. Subsequent to initial recognition, such investments are measured at cost less any impairment.

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Entity has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

### Financial liabilities

After initial recognition, the Entity measures all financial liabilities, including trade and other payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and trade and other payables (excluding provisions). Interest-bearing

external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### Trade payables and other

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

### Trade and other receivables

Trade and other receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Interest is charged on overdue amounts.

## INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods that are valued at the lower of cost (determined on the weighted-average basis) and net realisable value, except for plants and compost, which are valued at the tariffs charged. Where they are held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow-moving inventories are identified and written down to their estimated net realisable values, and are recognised as an expense in the period in which the write-down or loss occurs. Consumables are written down according to their age, condition and utility.

## REVENUE RECOGNITION

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or services potential will flow to the Entity, and these benefits can be reliably measured. Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff. This includes the issuing of licences and permits.

## Revenue from exchange transactions

- Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.
- Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis, and revenue is recognised providing that the benefits can be measured reliably. Estimates of consumption are made every other month based on consumption history. Such estimated consumption is recognised as income when invoiced, and adjusted every following month that the meter is read. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.
- Services provided on a prepayment basis are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on the average consumption history.
- Income in respect of housing rental and instalment sale agreements is accrued monthly.
- Interest earned on investments is recognised in the statement of financial performance on a time proportionate basis, which takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Housing Development Fund or the insurance reserve.

Interest earned on the following investments is not recognised in the statement of financial performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor "Unutilised conditional grants" if the grant conditions indicate that interest is payable to the funder.
- Dividends are recognised when the Entity's right to receive payment is established.
- Income for agency services is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.
- Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
  - The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
  - The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be reliably measured.
  - The costs incurred or to be incurred in respect of the transaction can be reliably measured.
  - Prepaid electricity sold is only recognised as income once the related units are consumed.

## Revenue from non-exchange transactions

Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis with reference to the principal amount receivable and the effective interest rate applicable.

A composite rating system, charging different rate tariffs, is used. Rebates are granted to certain categories of ratepayers, and are deducted from revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

Donations are recognised on a cash receipt basis, or at fair value or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Entity.

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003), and is recognised when the recovery thereof from the responsible councillors or officials is probable.

## OFFSETTING

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and subsidies is recognised in so far as the Entity has complied with any of the criteria, conditions or obligations embodied in the applicable agreement. In so far as the criteria, conditions or obligations have not been met, a liability is recognised and funds invested until they are utilised.

Interest earned on the investment is treated in accordance with grant conditions.

## Grants and receipts of a revenue nature

Income is transferred to the statement of financial performance as revenue in so far as the criteria, conditions or obligations have been met.

## Grants and receipts of a capital nature

Income is transferred to the statement of financial performance in so far as the criteria, conditions or obligations have been met.

## PROVISIONS

A provision is recognised when the Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

# Accounting policies for the year ended 30 June 2011

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost.

## **ENVIRONMENTAL REHABILITATION PROVISIONS**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

## **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

## **EMPLOYEE BENEFITS**

### **Retirement benefit plans**

The Entity provides retirement benefits for its employees and councillors. 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds, which are administered provincially, are actuarially valued triannually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

### **Post-retirement pension funds**

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contributions. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the obligations.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the actuarial gains and losses, and past service costs.

Actuarial gains or losses are fully accounted for in the statement of financial performance in the year they occur.

### **Medical aid: continued members**

The Entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Entity is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the Entity will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Entity's decision on protected rights. Post-retirement medical contributions paid by the Entity, depending on the employee's contract, could be 60%, 70% or a subsidy indicated on a sliding scale. In each case the employee is responsible for the balance of post-retirement medical contributions. External appointments after December 2000 do not qualify for a post-retirement medical aid subsidy.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs.

Actuarial gains or losses are fully accounted for in the statement of financial performance in the year they occur. The projected unit credit method has been used to value the obligation.

### **Short-term and long-term employee benefits**

The cost of all short-term employee benefits, such as leave pay, is recognised during the period in which the employee renders the related service. The Entity recognises the expected cost of performance bonuses only when the Entity has a present legal or constructive obligation to make such payment, and a reliable estimate can be made.

The Entity provides long-term incentives to eligible employees, payable on completion of years of employment. The Entity's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

## LEASES

### The Entity as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Entity.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment, using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

### The Entity as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## GRANTS-IN-AID

The Entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Entity does not:

- receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period in which the events giving rise to the transfer occurred.

## VALUE-ADDED TAX

The Entity accounts for value-added tax on the payment basis.

## UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and, where recovered, is subsequently accounted for as revenue in the same statement.

## IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act (Act 32 of 2000), and the Public Office-bearers Act (Act 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and, where recovered, is subsequently accounted for as revenue in the same statement.

## FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and, where recovered, is subsequently accounted for as revenue in the same statement.

## FOREIGN-CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

## BORROWING COSTS

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

## COMPARATIVE INFORMATION

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results, as set out in the affected notes to the financial statements.

**1. PROPERTY, PLANT AND EQUIPMENT**
**Economic Entity**

	Opening balance R'000	Transfers/ adjustments R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment R'000	Carrying value R'000
<b>As at 30 June 2011</b>							
Land and buildings	1 823 409	202 606	125 292	(395)	(91 825)	(9 866)	2 049 221
Infrastructure	10 259 317	(37 920)	1 832 881	(1)	(475 869)	–	11 578 408
Community	5 042 870	45 817	216 014	–	(232 331)	–	5 072 370
Leased assets	113 735	(34 955)	–	–	(13 188)	–	65 592
Other	2 272 944	(198 856)	699 216	(43 627)	(431 002)	(16 092)	2 282 583
Housing rental stock	621 457	7 732	11 621	(2 602)	(26 662)	–	611 546
<b>Total</b>	<b>20 133 732</b>	<b>(15 576)</b>	<b>2 885 024</b>	<b>(46 625)</b>	<b>(1 270 877)</b>	<b>(25 958)</b>	<b>21 659 720</b>

(See Appendix B for more details)

**As at 30 June 2010**

Land and buildings	1 769 547	(25 942)	227 789	(679)	(95 272)	(52 034)	1 823 409
Infrastructure	8 440 973	(510 819)	2 697 418	–	(368 255)	–	10 259 317
Community	3 778 151	540 008	853 099	–	(128 388)	–	5 042 870
Leased assets	133 704	–	–	–	(19 969)	–	113 735
Other	1 759 793	(4 752)	883 413	(5 337)	(360 167)	(6)	2 272 944
Housing rental stock	641 140	–	7 235	(452)	(26 466)	–	621 457
<b>Total</b>	<b>16 523 308</b>	<b>(1 505)</b>	<b>4 668 954</b>	<b>(6 468)</b>	<b>(998 517)</b>	<b>(52 040)</b>	<b>20 133 732</b>

**Municipality of Cape Town**

	Opening balance R'000	Transfers/ adjustments R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment R'000	Carrying value R'000
<b>As at 30 June 2011</b>							
Land and buildings	1 675 651	201 077	110 386	(241)	(78 201)	(9 866)	1 898 806
Infrastructure	10 259 317	(37 920)	1 832 881	(1)	(475 869)	–	11 578 408
Community	5 042 870	45 817	216 014	–	(232 331)	–	5 072 370
Leased assets	113 735	(34 955)	–	–	(13 188)	–	65 592
Other	2 235 219	(197 327)	676 535	(43 314)	(423 044)	–	2 248 069
Housing rental stock	621 457	7 732	11 621	(2 602)	(26 662)	–	611 546
<b>Total</b>	<b>19 948 249</b>	<b>(15 576)</b>	<b>2 847 437</b>	<b>(46 158)</b>	<b>(1 249 295)</b>	<b>(9 866)</b>	<b>21 474 791</b>

**As at 30 June 2010**

Land and buildings	1 612 088	(24 506)	223 059	(323)	(82 633)	(52 034)	1 675 651
Infrastructure	8 440 973	(510 819)	2 697 418	–	(368 255)	–	10 259 317
Community	3 778 151	540 008	853 099	–	(128 388)	–	5 042 870
Leased assets	133 704	–	–	–	(19 969)	–	113 735
Other	1 722 957	(4 747)	874 589	(5 337)	(352 237)	(6)	2 235 219
Housing rental stock	641 140	–	7 235	(452)	(26 466)	–	621 457
<b>Total</b>	<b>16 329 013</b>	<b>(64)</b>	<b>4 655 400</b>	<b>(6 112)</b>	<b>(977 948)</b>	<b>(52 040)</b>	<b>19 948 249</b>

The leased property, plant and equipment are encumbered, as set out in note 12. Provision has been made for the estimated cost of rehabilitation of waste sites, included in other assets, as described in note 13.

The Entity is required to measure the residual value of all items of property, plant and equipment. Management has determined that none of its infrastructural assets have any active market value, and the value of the amount at the end of their lives would therefore be nil or insignificant. During the current financial year the Entity reviewed the estimated useful lives and residual values of property, plant and equipment, where appropriate.

Fully depreciated assets at an original cost of R1,94 billion are still currently in use.

The annual review of the useful lives of assets resulted in an increase in the depreciation charge to the statement of financial performance of R17,20 million.



# Notes to the consolidated financial statements for the year ended 30 June 2011

## 2. HERITAGE ASSETS

	Economic Entity				Carrying value R'000
	Opening balance R'000	Transfers/ adjustments R'000	Additions R'000	Disposals R'000	
<b>As at 30 June 2011</b>					
Assets under construction	1 660	(9)	1 901	–	3 552
Paintings and art galleries	8 342	–	30	(10)	8 362
<b>Total</b>	<b>10 002</b>	<b>(9)</b>	<b>1 931</b>	<b>(10)</b>	<b>11 914</b>

(See Appendix B for more details)

<b>As at 30 June 2010</b>					
Assets under construction	1 722	(600)	538	–	1 660
Paintings and art galleries	7 718	600	60	(36)	8 342
<b>Total</b>	<b>9 440</b>	<b>–</b>	<b>598</b>	<b>(36)</b>	<b>10 002</b>

	Municipality of Cape Town				Carrying value R'000
	Opening balance R'000	Transfers/ adjustments R'000	Additions R'000	Disposals R'000	
<b>As at 30 June 2011</b>					
Assets under construction	1 660	(9)	1 901	–	3 552
Paintings and art galleries	8 342	–	30	(10)	8 362
<b>Total</b>	<b>10 002</b>	<b>(9)</b>	<b>1 931</b>	<b>(10)</b>	<b>11 914</b>

<b>As at 30 June 2010</b>					
Assets under construction	1 722	(600)	538	–	1 660
Paintings and art galleries	7 718	600	60	(36)	8 342
<b>Total</b>	<b>9 440</b>	<b>–</b>	<b>598</b>	<b>(36)</b>	<b>10 002</b>

## 3. INVESTMENT PROPERTY

	Economic Entity			Carrying value R'000
	Opening balance R'000	Transfers/ adjustments R'000	Depreciation R'000	
<b>As at 30 June 2011</b>				
Vacant land	38 366	–	–	38 366
Land and buildings	48 694	537	(2 598)	46 633
<b>Total</b>	<b>87 060</b>	<b>537</b>	<b>(2 598)</b>	<b>84 999</b>

(See Appendix B for more details)

<b>As at 30 June 2010</b>				
Vacant land	38 366	–	–	38 366
Land and buildings	53 180	(22)	(4 464)	48 694
<b>Total</b>	<b>91 546</b>	<b>(22)</b>	<b>(4 464)</b>	<b>87 060</b>

**3. INVESTMENT PROPERTY continued**

	Municipality of Cape Town			
	Opening balance R'000	Transfers/ adjustments R'000	Depreciation R'000	Carrying value R'000
<b>As at 30 June 2011</b>				
Vacant land	38 366	–	–	38 366
Land and buildings	48 694	537	(2 598)	46 633
<b>Total</b>	<b>87 060</b>	<b>537</b>	<b>(2 598)</b>	<b>84 999</b>
<b>As at 30 June 2010</b>				
Vacant land	38 366	–	–	38 366
Land and buildings	53 180	(22)	(4 464)	48 694
<b>Total</b>	<b>91 546</b>	<b>(22)</b>	<b>(4 464)</b>	<b>87 060</b>

Rental income has been received on various properties during the year.

**4. INTANGIBLE ASSETS**

	Economic Entity				
	Opening balance R'000	Transfers/ adjustments R'000	Additions R'000	Amortisation R'000	Carrying value R'000
<b>As at 30 June 2011</b>					
Computer software (acquired separately) (See Appendix B for more details)	31 709	14 989	8 393	(10 207)	44 884
<b>As at 30 June 2010</b>					
Computer software (acquired separately)	32 821	(102)	7 927	(8 937)	31 709

	Municipality of Cape Town				
	Opening balance R'000	Transfers/ adjustments R'000	Additions R'000	Amortisation R'000	Carrying value R'000
<b>As at 30 June 2011</b>					
Computer software (acquired separately)	31 709	14 989	8 393	(10 207)	44 884
<b>As at 30 June 2010</b>					
Computer software (acquired separately)	32 821	(102)	7 927	(8 937)	31 709

The capitalised computer software was estimated to have a finite life of five years at acquisition. The software is therefore amortised using the straight-line method over a period of five years.

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 5. ASSETS CLASSIFIED AS HELD FOR SALE

	Economic Entity			
	Opening balance R'000	Transfers/ adjustments R'000	Disposals R'000	Carrying value R'000
<b>As at 30 June 2011</b>				
Land held for sale (See Appendix B for more detail)	66	61	(1)	126
<b>As at 30 June 2010</b>				
Land held for sale	–	66	–	66

	Municipality of Cape Town			
	Opening balance R'000	Transfers/ adjustments R'000	Disposals R'000	Carrying value R'000
<b>As at 30 June 2011</b>				
Land held for sale	66	61	(1)	126
<b>As at 30 June 2010</b>				
Land held for sale	–	66	–	66

Various properties have been presented as held for sale following a Council decision to dispose of properties that are no longer required for municipal purposes. These properties are identified for sale as and when the need arises.

## 6. INVESTMENTS

### 6.1 Amortised cost

	Economic Entity		Municipality of Cape Town	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
	1 755 671	3 272 810	1 634 813	3 155 353
RSA Government stock	48 472	42 826	48 472	42 826
Sinking-fund deposits – see note 40	113 233	248 387	113 233	248 387
Other fixed deposits	1 593 966	2 981 597	1 473 108	2 864 140
	(1 644 194)	(3 037 333)	(1 523 336)	(2 919 876)
Provision for impairment	(9 616)	(9 616)	(9 616)	(9 616)
Current portion included in short-term investments	(50 294)	(55 800)	(50 294)	(55 800)
Call and term deposits included in cash and cash equivalents – see note 11	(1 584 284)	(2 971 917)	(1 463 426)	(2 854 460)
<b>Total at amortised cost</b>	<b>111 477</b>	<b>235 477</b>	<b>111 477</b>	<b>235 477</b>

### Collateral deposits for staff housing loans

Included in other fixed deposits above are fixed deposits with a carrying value of R0,47 million (2010: R0,47 million), which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The Entity has not issued fixed deposits as security since 2000. The Entity's exposure to risk is minimised by an assurance policy taken out by the employee and ceded to the Entity to cover the guaranteed deposit.

### 6.2 Fair value

	3 638 038	1 522 542	3 638 038	1 522 542
Sinking-fund deposits – see note 40	363 765	–	363 765	–
Deposits held with fund managers	3 274 273	1 522 542	3 274 273	1 522 542
	(3 638 038)	(1 522 542)	(3 638 038)	(1 522 542)
Current portion included in short-term investments	(2 096 302)	(4 076)	(2 096 302)	(4 076)
Call and term deposits included in cash and cash equivalents – see note 11	(1 541 736)	(1 518 466)	(1 541 736)	(1 518 466)
<b>Total at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

**6. INVESTMENTS continued**
**6.3 Cost**

Cape Town International Convention Centre (Pty) Ltd  
 Original investment at cost  
 Provision for impairment

Economic Entity		Municipality of Cape Town	
2011	2010	2011	2010
R'000	R'000	R'000	R'000
-	-	38 768	38 768
-	-	284 000	284 000
-	-	(245 232)	(245 232)

Cape Town Community Housing Company (Pty) Ltd  
 Original investment at cost  
 Provision for impairment

-	-	-	-
2 500	2 500	2 500	2 500
(2 500)	(2 500)	(2 500)	(2 500)

**Total at cost**

-	-	38 768	38 768
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**Total**

<b>111 477</b>	<b>235 477</b>	<b>150 245</b>	<b>274 245</b>
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**6.4 Short-term investments**

Investment at amortised cost  
 Investment at fair value

50 294	55 800	50 294	55 800
2 096 302	4 076	2 096 302	4 076

**Total**

<b>2 146 596</b>	<b>59 876</b>	<b>2 146 596</b>	<b>59 876</b>
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**TOTAL INVESTMENT**

<b>2 258 073</b>	<b>295 353</b>	<b>2 296 841</b>	<b>334 121</b>
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**7. LONG-TERM RECEIVABLES**

Loans to employees  
 Sporting bodies  
 Housing land sales

-	12	-	12
1 363	1 519	1 363	1 519
1 104	1 184	1 104	1 184
23 798	25 485	23 798	25 485

Public organisations  
 Provision for impairment

28 657	30 175	28 657	30 175
(4 859)	(4 690)	(4 859)	(4 690)

108 454	108 338	108 454	108 338
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Housing selling developments  
 Provision for impairment

200 655	222 049	200 655	222 049
(92 201)	(113 711)	(92 201)	(113 711)

134 719	136 538	134 719	136 538
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Current portion transferred to current receivables

(19 193)	(17 480)	(19 193)	(17 480)
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**Total**

<b>115 526</b>	<b>119 058</b>	<b>115 526</b>	<b>119 058</b>
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**Reconciliation of impairment provision**

Balance at the beginning of the year  
 Contributions (from)/to provisions  
 Transfers to provisions

118 401	105 321	118 401	105 321
(21 510)	13 080	(21 510)	13 080
169	-	169	-

**Balance as at 30 June**

<b>97 060</b>	<b>118 401</b>	<b>97 060</b>	<b>118 401</b>
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**Loans to employees**

Staff are entitled to various loans, such as car and computer loans, which attract interest at 8% to 17% per annum, and are repayable over a maximum period of six years. These loans were granted before the implementation of the Municipal Finance Management Act, and were fully paid in the 2010 financial year.

**Sporting bodies**

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of 4% to 19% per annum and are repayable over a maximum period of 20 years.

**Public organisations**

Loans to public organisations are granted in terms of National Housing Policy. At present these loans attract interest at 1% and 11% for building and infrastructure respectively and are repayable over 30 years.

**Housing selling development loans**

Housing loans were historically granted to qualifying individuals in terms of the National Housing Policy. These loans currently attract interest at 9,0% per annum, and are repayable over 20 years. The interest rate is determined as per Council policy.

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 8. INVENTORY

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Consumable stores	197 484	161 998	196 099	159 520
Medical supplies	492	918	492	918
Spare parts and meters	14 351	11 600	14 351	11 600
Water	18 293	13 312	18 293	13 312
Other goods held for resale	3 549	9 702	3 549	9 702
Green-electricity rights	2 465	2 028	2 465	2 028
<b>Total</b>	<b>236 634</b>	<b>199 558</b>	<b>235 249</b>	<b>197 080</b>

Inventory to the value of R1,24 million was scrapped during the year (2010: R806 334 was taken on). Inventories (excluding bulk water) that were recognised as issues during the year amounted to R659,04 million (2010: R640,76 million), of which a portion was capitalised. Green-electricity rights are rights to sell "green" units at "green" tariffs to consumers who request "green" electricity.

## 9. TRADE RECEIVABLES

	Economic Entity					
	As at 30 June 2011			As at 30 June 2010		
	Gross balance R'000	Provision for impairment R'000	Net balance R'000	Gross balance R'000	Provision for impairment R'000	Net balance R'000
<b>From exchange transactions</b>	5 522 855	(3 068 454)	2 454 401	4 890 699	(2 651 956)	2 238 743
Service debtors	4 592 489	(2 334 751)	2 257 738	3 982 011	(1 929 317)	2 052 694
Housing rental stock	421 713	(377 366)	44 347	393 706	(350 403)	43 303
Housing selling stock	389 461	(347 178)	42 283	392 659	(359 161)	33 498
Other exchange debtors	119 192	(9 159)	110 033	122 323	(13 075)	109 248
<b>From non-exchange transactions</b>	1 999 025	(747 079)	1 251 946	1 769 693	(647 474)	1 122 219
Rates debtors	1 939 105	(712 937)	1 226 168	1 721 724	(638 371)	1 083 353
Other non-exchange debtors	59 920	(34 142)	25 778	47 969	(9 103)	38 866
<b>Total</b>	<b>7 521 880</b>	<b>(3 815 533)</b>	<b>3 706 347</b>	<b>6 660 392</b>	<b>(3 299 430)</b>	<b>3 360 962</b>

Consumer debtors to the amount of R1,47 billion (2010: R1,18 billion) are only due after 30 days. Included in the outstanding balances are consumer debtors to the value of R497,97 million (2010: R466,76 million) who have made arrangements to repay their outstanding debt over a renegotiated period. As at 30 June 2011, the City's trade receivables balance included an amount of approximately R173 million (2010: R263,16 million) owed by National Government and the Provincial Government.

	2011	2010
	R'000	R'000
<b>Reconciliation of impairment provision</b>		
Balance at the beginning of the year	3 299 430	3 079 562
Contributions to provisions	785 503	597 548
Transfers to provisions	3 292	1 288
Bad debts written off	(272 692)	(378 968)
<b>Balance as at 30 June</b>	<b>3 815 533</b>	<b>3 299 430</b>

In determining the recoverability of a trade receivable, the Entity considers any change in the credit quality of the trade receivable from the date on which the credit was initially granted, up to the reporting date. The concentration of credit risk is limited, as the customer base is large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

**9. TRADE RECEIVABLES continued**

		Economic Entity					
		Analysis of trade receivables' age in days					
	Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000
<b>As at 30 June 2011</b>							
<b>From exchange transactions</b>							
Electricity	1 035 999	612 027	131 884	40 547	19 886	109 009	122 646
Provision for impairment	(144 384)	(14 566)	(3 139)	(965)	(473)	(2 595)	(122 646)
	<b>891 615</b>	<b>597 461</b>	<b>128 745</b>	<b>39 582</b>	<b>19 413</b>	<b>106 414</b>	–
Water	2 233 811	191 120	157 288	75 002	58 744	449 114	1 302 543
Provision for impairment	(1 438 228)	(27 846)	(22 917)	(10 927)	(8 559)	(65 436)	(1 302 543)
	<b>795 583</b>	<b>163 274</b>	<b>134 371</b>	<b>64 075</b>	<b>50 185</b>	<b>383 678</b>	–
Waste management	367 479	43 328	28 845	17 284	12 899	83 099	182 024
Provision for impairment	(194 023)	(2 803)	(1 866)	(1 118)	(835)	(5 377)	(182 024)
	<b>173 456</b>	<b>40 525</b>	<b>26 979</b>	<b>16 166</b>	<b>12 064</b>	<b>77 722</b>	–
Wastewater management	955 200	100 707	69 942	37 535	34 103	217 407	495 506
Provision for impairment	(558 116)	(13 716)	(9 526)	(5 112)	(4 645)	(29 611)	(495 506)
	<b>397 084</b>	<b>86 991</b>	<b>60 416</b>	<b>32 423</b>	<b>29 458</b>	<b>187 796</b>	–
Housing rental stock	421 713	23 432	12 033	9 295	9 204	80 422	287 327
Provision for impairment	(377 366)	(15 699)	(8 062)	(6 228)	(6 167)	(53 883)	(287 327)
	<b>44 347</b>	<b>7 733</b>	<b>3 971</b>	<b>3 067</b>	<b>3 037</b>	<b>26 539</b>	–
Housing selling stock	389 461	30 076	5 845	2 667	2 560	36 352	311 961
Provision for impairment	(347 178)	(13 254)	(3 061)	(1 225)	(1 175)	(16 502)	(311 961)
	<b>42 283</b>	<b>16 822</b>	<b>2 784</b>	<b>1 442</b>	<b>1 385</b>	<b>19 850</b>	–
Other exchange debtors	119 192	(26 927)	210 123	(16 594)	(10 479)	(37 514)	583
Provision for impairment	(9 159)	1 947	(15 192)	1 199	758	2 712	(583)
	<b>110 033</b>	<b>(24 980)</b>	<b>194 931</b>	<b>(15 395)</b>	<b>(9 721)</b>	<b>(34 802)</b>	–
<b>Gross exchange debtors</b>	<b>5 522 855</b>	<b>973 763</b>	<b>615 960</b>	<b>165 736</b>	<b>126 917</b>	<b>937 889</b>	<b>2 702 590</b>
Provision for impairment	<b>(3 068 454)</b>	<b>(85 937)</b>	<b>(63 763)</b>	<b>(24 376)</b>	<b>(21 096)</b>	<b>(170 692)</b>	<b>(2 702 590)</b>
<b>From non-exchange transactions</b>							
Rates debtors	1 939 105	480 935	270 028	108 203	45 160	392 267	642 512
Provision for impairment	(712 937)	(26 216)	(14 636)	(5 864)	(2 448)	(21 261)	(642 512)
	<b>1 226 168</b>	<b>454 719</b>	<b>255 392</b>	<b>102 339</b>	<b>42 712</b>	<b>371 006</b>	–
Other non-exchange debtors	59 920	13 566	3 448	3 505	867	6 401	32 133
Provision for impairment	(34 142)	(981)	(249)	(253)	(63)	(463)	(32 133)
	<b>25 778</b>	<b>12 585</b>	<b>3 199</b>	<b>3 252</b>	<b>804</b>	<b>5 938</b>	–
<b>Gross non-exchange debtors</b>	<b>1 999 025</b>	<b>494 501</b>	<b>273 476</b>	<b>111 708</b>	<b>46 027</b>	<b>398 668</b>	<b>674 645</b>
Provision for impairment	<b>(747 079)</b>	<b>(27 197)</b>	<b>(14 885)</b>	<b>(6 117)</b>	<b>(2 511)</b>	<b>(21 724)</b>	<b>(674 645)</b>
<b>Gross debtors</b>	<b>7 521 880</b>	<b>1 468 264</b>	<b>889 436</b>	<b>277 444</b>	<b>172 944</b>	<b>1 336 557</b>	<b>3 377 235</b>
Total provision for impairment	<b>(3 815 533)</b>	<b>(113 134)</b>	<b>(78 648)</b>	<b>(30 493)</b>	<b>(23 607)</b>	<b>(192 416)</b>	<b>(3 377 235)</b>
<b>Total</b>	<b>3 706 347</b>	<b>1 355 130</b>	<b>810 788</b>	<b>246 951</b>	<b>149 337</b>	<b>1 144 141</b>	–



# Notes to the consolidated financial statements for the year ended 30 June 2011

## 9. TRADE RECEIVABLES continued

		Economic Entity					
		Analysis of trade receivables' age in days					
	Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000
<b>As at 30 June 2010</b>							
<b>From exchange transactions</b>							
Electricity	906 308	490 221	146 027	45 551	15 506	93 490	115 513
Provision for impairment	(159 323)	(27 158)	(8 090)	(2 524)	(859)	(5 179)	(115 513)
	<b>746 985</b>	<b>463 063</b>	<b>137 937</b>	<b>43 027</b>	<b>14 647</b>	<b>88 311</b>	–
Water	1 954 152	170 486	157 278	81 446	51 802	397 252	1 095 888
Provision for impairment	(1 179 483)	(16 605)	(15 319)	(7 933)	(5 046)	(38 692)	(1 095 888)
	<b>774 669</b>	<b>153 881</b>	<b>141 959</b>	<b>73 513</b>	<b>46 756</b>	<b>358 560</b>	–
Waste management	319 525	31 118	25 961	14 511	8 933	71 002	168 000
Provision for impairment	(168 788)	(162)	(135)	(75)	(46)	(370)	(168 000)
	<b>150 737</b>	<b>30 956</b>	<b>25 826</b>	<b>14 436</b>	<b>8 887</b>	<b>70 632</b>	–
Wastewater management	802 026	83 954	70 905	39 542	24 314	189 467	393 844
Provision for impairment	(421 723)	(5 734)	(4 843)	(2 701)	(1 661)	(12 940)	(393 844)
	<b>380 303</b>	<b>78 220</b>	<b>66 062</b>	<b>36 841</b>	<b>22 653</b>	<b>176 527</b>	–
Housing rental stock	393 706	25 354	12 248	8 401	8 215	95 103	244 385
Provision for impairment	(350 403)	(18 001)	(8 696)	(5 965)	(5 833)	(67 523)	(244 385)
	<b>43 303</b>	<b>7 353</b>	<b>3 552</b>	<b>2 436</b>	<b>2 382</b>	<b>27 580</b>	–
Housing selling stock	392 659	24 498	7 327	2 934	2 643	30 375	324 882
Provision for impairment	(359 161)	(12 332)	(3 748)	(1 501)	(1 352)	(15 346)	(324 882)
	<b>33 498</b>	<b>12 166</b>	<b>3 579</b>	<b>1 433</b>	<b>1 291</b>	<b>15 029</b>	–
Other exchange debtors	122 323	(11 658)	152 955	(4 739)	(9 075)	(5 160)	–
Provision for impairment	(13 075)	1 441	(16 863)	566	1 022	759	–
	<b>109 248</b>	<b>(10 217)</b>	<b>136 092</b>	<b>(4 173)</b>	<b>(8 053)</b>	<b>(4 401)</b>	–
<b>Gross exchange debtors</b>	<b>4 890 699</b>	<b>813 973</b>	<b>572 701</b>	<b>187 646</b>	<b>102 338</b>	<b>871 529</b>	<b>2 342 512</b>
Provision for impairment	<b>(2 651 956)</b>	<b>(78 551)</b>	<b>(57 694)</b>	<b>(20 133)</b>	<b>(13 775)</b>	<b>(139 291)</b>	<b>(2 342 512)</b>
<b>From non-exchange transactions</b>							
Rates debtors	1 721 724	365 337	286 851	99 412	36 159	431 464	502 501
Provision for impairment	(638 371)	(40 748)	(31 955)	(11 074)	(4 028)	(48 065)	(502 501)
	<b>1 083 353</b>	<b>324 589</b>	<b>254 896</b>	<b>88 338</b>	<b>32 131</b>	<b>383 399</b>	–
Other non-exchange debtors	47 969	3 948	1 036	2 311	596	35 846	4 232
Provision for impairment	(9 103)	(440)	(115)	(257)	(66)	(3 993)	(4 232)
	<b>38 866</b>	<b>3 508</b>	<b>921</b>	<b>2 054</b>	<b>530</b>	<b>31 853</b>	–
<b>Gross non-exchange debtors</b>	<b>1 769 693</b>	<b>369 285</b>	<b>287 887</b>	<b>101 723</b>	<b>36 755</b>	<b>467 310</b>	<b>506 733</b>
Provision for impairment	<b>(647 474)</b>	<b>(41 188)</b>	<b>(32 070)</b>	<b>(11 331)</b>	<b>(4 094)</b>	<b>(52 058)</b>	<b>(506 733)</b>
<b>Gross debtors</b>	<b>6 660 392</b>	<b>1 183 258</b>	<b>860 588</b>	<b>289 369</b>	<b>139 093</b>	<b>1 338 839</b>	<b>2 849 245</b>
Total provision for impairment	<b>(3 299 430)</b>	<b>(119 739)</b>	<b>(89 764)</b>	<b>(31 464)</b>	<b>(17 869)</b>	<b>(191 349)</b>	<b>(2 849 245)</b>
<b>Total</b>	<b>3 360 962</b>	<b>1 063 519</b>	<b>770 824</b>	<b>257 905</b>	<b>121 224</b>	<b>1 147 490</b>	–

9. TRADE RECEIVABLES continued

Municipality of Cape Town

	As at 30 June 2011			As at 30 June 2010		
	Gross balance R'000	Provision for impairment R'000	Net balance R'000	Gross balance R'000	Provision for impairment R'000	Net balance R'000
<b>From exchange transactions</b>	5 522 855	(3 068 454)	2 454 401	4 890 699	(2 651 956)	2 238 743
Service debtors	4 592 489	(2 334 751)	2 257 738	3 982 011	(1 929 317)	2 052 694
Housing rental stock	421 713	(377 366)	44 347	393 706	(350 403)	43 303
Housing selling stock	389 461	(347 178)	42 283	392 659	(359 161)	33 498
Other exchange debtors	119 192	(9 159)	110 033	122 323	(13 075)	109 248
<b>From non-exchange transactions</b>	2 001 789	(747 079)	1 254 710	1 770 141	(647 474)	1 122 667
Rates debtors	1 941 869	(712 937)	1 228 932	1 722 172	(638 371)	1 083 801
Other non-exchange debtors	59 920	(34 142)	25 778	47 969	(9 103)	38 866
<b>Total</b>	<b>7 524 644</b>	<b>(3 815 533)</b>	<b>3 709 111</b>	<b>6 660 840</b>	<b>(3 299 430)</b>	<b>3 361 410</b>

	2011 R'000	2010 R'000
<b>Reconciliation of impairment provision</b>		
Balance at the beginning of the year	3 299 430	3 079 562
Contributions to provisions	785 503	597 548
Transfers to/(from) provisions	3 292	1 288
Bad debts written off	(272 692)	(378 968)
<b>Balance as at 30 June</b>	<b>3 815 533</b>	<b>3 299 430</b>

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 9. TRADE RECEIVABLES continued

		Municipality of Cape Town					
		Analysis of trade receivables' age in days					
	Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000
<b>As at 30 June 2011</b>							
<b>From exchange transactions</b>							
Electricity	1 035 999	612 027	131 884	40 547	19 886	109 009	122 646
Provision for impairment	(144 384)	(14 566)	(3 139)	(965)	(473)	(2 595)	(122 646)
	<b>891 615</b>	<b>597 461</b>	<b>128 745</b>	<b>39 582</b>	<b>19 413</b>	<b>106 414</b>	–
Water	2 233 811	191 120	157 288	75 002	58 744	449 114	1 302 543
Provision for impairment	(1 438 228)	(27 846)	(22 917)	(10 927)	(8 559)	(65 436)	(1 302 543)
	<b>795 583</b>	<b>163 274</b>	<b>134 371</b>	<b>64 075</b>	<b>50 185</b>	<b>383 678</b>	–
Waste management	367 479	43 328	28 845	17 284	12 899	83 099	182 024
Provision for impairment	(194 023)	(2 803)	(1 866)	(1 118)	(835)	(5 377)	(182 024)
	<b>173 456</b>	<b>40 525</b>	<b>26 979</b>	<b>16 166</b>	<b>12 064</b>	<b>77 722</b>	–
Wastewater management	955 200	100 707	69 942	37 535	34 103	217 407	495 506
Provision for impairment	(558 116)	(13 716)	(9 526)	(5 112)	(4 645)	(29 611)	(495 506)
	<b>397 084</b>	<b>86 991</b>	<b>60 416</b>	<b>32 423</b>	<b>29 458</b>	<b>187 796</b>	–
Housing rental stock	421 713	23 432	12 033	9 295	9 204	80 422	287 327
Provision for impairment	(377 366)	(15 699)	(8 062)	(6 228)	(6 167)	(53 883)	(287 327)
	<b>44 347</b>	<b>7 733</b>	<b>3 971</b>	<b>3 067</b>	<b>3 037</b>	<b>26 539</b>	–
Housing selling stock	389 461	30 076	5 845	2 667	2 560	36 352	311 961
Provision for impairment	(347 178)	(13 254)	(3 061)	(1 225)	(1 175)	(16 502)	(311 961)
	<b>42 283</b>	<b>16 822</b>	<b>2 784</b>	<b>1 442</b>	<b>1 385</b>	<b>19 850</b>	–
Other exchange debtors	119 192	(26 927)	210 123	(16 594)	(10 479)	(37 514)	583
Provision for impairment	(9 159)	1 947	(15 192)	1 199	758	2 712	(583)
	<b>110 033</b>	<b>(24 980)</b>	<b>194 931</b>	<b>(15 395)</b>	<b>(9 721)</b>	<b>(34 802)</b>	–
<b>Gross exchange debtors</b>	<b>5 522 855</b>	<b>973 763</b>	<b>615 960</b>	<b>165 736</b>	<b>126 917</b>	<b>937 889</b>	<b>2 702 590</b>
Provision for impairment	<b>(3 068 454)</b>	<b>(85 937)</b>	<b>(63 763)</b>	<b>(24 376)</b>	<b>(21 096)</b>	<b>(170 692)</b>	<b>(2 702 590)</b>
<b>From non-exchange transactions</b>							
Rates debtors	1 941 869	483 699	270 028	108 203	45 160	392 267	642 512
Provision for impairment	(712 937)	(26 216)	(14 636)	(5 864)	(2 448)	(21 261)	(642 512)
	<b>1 228 932</b>	<b>457 483</b>	<b>255 392</b>	<b>102 339</b>	<b>42 712</b>	<b>371 006</b>	–
Other non-exchange debtors	59 920	13 566	3 448	3 505	867	6 401	32 133
Provision for impairment	(34 142)	(981)	(249)	(253)	(63)	(463)	(32 133)
	<b>25 778</b>	<b>12 585</b>	<b>3 199</b>	<b>3 252</b>	<b>804</b>	<b>5 938</b>	–
<b>Gross non-exchange debtors</b>	<b>2 001 789</b>	<b>497 265</b>	<b>273 476</b>	<b>111 708</b>	<b>46 027</b>	<b>398 668</b>	<b>674 645</b>
Provision for impairment	<b>(747 079)</b>	<b>(27 197)</b>	<b>(14 885)</b>	<b>(6 117)</b>	<b>(2 511)</b>	<b>(21 724)</b>	<b>(674 645)</b>
<b>Gross debtors</b>	<b>7 524 644</b>	<b>1 471 028</b>	<b>889 436</b>	<b>277 444</b>	<b>172 944</b>	<b>1 336 557</b>	<b>3 377 235</b>
Total provision for impairment	<b>(3 815 533)</b>	<b>(113 134)</b>	<b>(78 648)</b>	<b>(30 493)</b>	<b>(23 607)</b>	<b>(192 416)</b>	<b>(3 377 235)</b>
<b>Total</b>	<b>3 709 111</b>	<b>1 357 894</b>	<b>810 788</b>	<b>246 951</b>	<b>149 337</b>	<b>1 144 141</b>	–

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 9. TRADE RECEIVABLES continued

		Municipality of Cape Town					
		Analysis of trade receivables' age in days					
	Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000
<b>As at 30 June 2010</b>							
<b>From exchange transactions</b>							
Electricity	906 308	490 221	146 027	45 551	15 506	93 490	115 513
Provision for impairment	(159 323)	(27 158)	(8 090)	(2 524)	(859)	(5 179)	(115 513)
	<b>746 985</b>	<b>463 063</b>	<b>137 937</b>	<b>43 027</b>	<b>14 647</b>	<b>88 311</b>	–
Water	1 954 152	170 486	157 278	81 446	51 802	397 252	1 095 888
Provision for impairment	(1 179 483)	(16 605)	(15 319)	(7 933)	(5 046)	(38 692)	(1 095 888)
	<b>774 669</b>	<b>153 881</b>	<b>141 959</b>	<b>73 513</b>	<b>46 756</b>	<b>358 560</b>	–
Waste management	319 525	31 118	25 961	14 511	8 933	71 002	168 000
Provision for impairment	(168 788)	(162)	(135)	(75)	(46)	(370)	(168 000)
	<b>150 737</b>	<b>30 956</b>	<b>25 826</b>	<b>14 436</b>	<b>8 887</b>	<b>70 632</b>	–
Wastewater management	802 026	83 954	70 905	39 542	24 314	189 467	393 844
Provision for impairment	(421 723)	(5 734)	(4 843)	(2 701)	(1 661)	(12 940)	(393 844)
	<b>380 303</b>	<b>78 220</b>	<b>66 062</b>	<b>36 841</b>	<b>22 653</b>	<b>176 527</b>	–
Housing rental stock	393 706	25 354	12 248	8 401	8 215	95 103	244 385
Provision for impairment	(350 403)	(18 001)	(8 696)	(5 965)	(5 833)	(67 523)	(244 385)
	<b>43 303</b>	<b>7 353</b>	<b>3 552</b>	<b>2 436</b>	<b>2 382</b>	<b>27 580</b>	–
Housing selling stock	392 659	24 498	7 327	2 934	2 643	30 375	324 882
Provision for impairment	(359 161)	(12 332)	(3 748)	(1 501)	(1 352)	(15 346)	(324 882)
	<b>33 498</b>	<b>12 166</b>	<b>3 579</b>	<b>1 433</b>	<b>1 291</b>	<b>15 029</b>	–
Other exchange debtors	122 323	(11 658)	152 955	(4 739)	(9 075)	(5 160)	–
Provision for impairment	(13 075)	1 441	(16 863)	566	1 022	759	–
	<b>109 248</b>	<b>(10 217)</b>	<b>136 092</b>	<b>(4 173)</b>	<b>(8 053)</b>	<b>(4 401)</b>	–
<b>Gross exchange debtors</b>	<b>4 890 699</b>	<b>813 973</b>	<b>572 701</b>	<b>187 646</b>	<b>102 338</b>	<b>871 529</b>	<b>2 342 512</b>
Provision for impairment	<b>(2 651 956)</b>	<b>(78 551)</b>	<b>(57 694)</b>	<b>(20 133)</b>	<b>(13 775)</b>	<b>(139 291)</b>	<b>(2 342 512)</b>
<b>From non-exchange transactions</b>							
Rates debtors	1 722 172	365 785	286 851	99 412	36 159	431 464	502 501
Provision for impairment	(638 371)	(40 748)	(31 955)	(11 074)	(4 028)	(48 065)	(502 501)
	<b>1 083 801</b>	<b>325 037</b>	<b>254 896</b>	<b>88 338</b>	<b>32 131</b>	<b>383 399</b>	–
Other non-exchange debtors	47 969	3 948	1 036	2 311	596	35 846	4 232
Provision for impairment	(9 103)	(440)	(115)	(257)	(66)	(3 993)	(4 232)
	<b>38 866</b>	<b>3 508</b>	<b>921</b>	<b>2 054</b>	<b>530</b>	<b>31 853</b>	–
<b>Gross non-exchange debtors</b>	<b>1 770 141</b>	<b>369 733</b>	<b>287 887</b>	<b>101 723</b>	<b>36 755</b>	<b>467 310</b>	<b>506 733</b>
Provision for impairment	<b>(647 474)</b>	<b>(41 188)</b>	<b>(32 070)</b>	<b>(11 331)</b>	<b>(4 094)</b>	<b>(52 058)</b>	<b>(506 733)</b>
<b>Gross debtors</b>	<b>6 660 840</b>	<b>1 183 706</b>	<b>860 588</b>	<b>289 369</b>	<b>139 093</b>	<b>1 338 839</b>	<b>2 849 245</b>
Total provision for impairment	<b>(3 299 430)</b>	<b>(119 739)</b>	<b>(89 764)</b>	<b>(31 464)</b>	<b>(17 869)</b>	<b>(191 349)</b>	<b>(2 849 245)</b>
<b>Total</b>	<b>3 361 410</b>	<b>1 063 967</b>	<b>770 824</b>	<b>257 905</b>	<b>121 224</b>	<b>1 147 490</b>	–

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 10. OTHER RECEIVABLES

	Economic Entity					
	As at 30 June 2011			As at 30 June 2010		
	Gross balance R'000	Provision for impairment R'000	Net balance R'000	Gross balance R'000	Provision for impairment R'000	Net balance R'000
<b>From exchange transactions</b>	157 473	(61 316)	96 157	245 431	(54 369)	191 062
Payments made in advance	1 034	–	1 034	1 006	–	1 006
Property rentals	55 808	(54 527)	1 281	93 188	(47 210)	45 978
Other exchange debtors	100 631	(6 789)	93 842	151 237	(7 159)	144 078
<b>From non-exchange transactions</b>	107 455	–	107 455	138 483	–	138 483
Government subsidies	35 723	–	35 723	90 118	–	90 118
Other non-exchange debtors	71 732	–	71 732	48 365	–	48 365
<b>Total</b>	<b>264 928</b>	<b>(61 316)</b>	<b>203 612</b>	<b>383 914</b>	<b>(54 369)</b>	<b>329 545</b>

Included in other exchange debtors is an amount of R2,61 million (2010: R49,29 million) for value-added tax owed by the South African Revenue Service (SARS).

	2011 R'000	2010 R'000
<b>Reconciliation of impairment provision</b>		
Balance at the beginning of the year	54 369	24 494
Contributions to provision	10 509	28 288
Transfer (from)/to provisions	(3 562)	1 793
Bad debts written off	–	(206)
<b>Balance as at 30 June</b>	<b>61 316</b>	<b>54 369</b>

In determining the recoverability of other receivables, the City of Cape Town considers any change in the credit quality of other receivables from the date on which the credit was initially granted up to the reporting date.

	Economic Entity						
	Analysis of other receivables' age in days						
	Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000
<b>As at 30 June 2011</b>							
<b>From exchange transactions</b>							
Payments made in advance	1 034	1 034	–	–	–	–	–
	<b>1 034</b>	<b>1 034</b>	–	–	–	–	–
Property rentals	55 808	3 744	7 824	1 881	1 348	(13 438)	54 449
Provision for impairment	(54 527)	(2 463)	(7 824)	(1 881)	(1 348)	13 438	(54 449)
	<b>1 281</b>	<b>1 281</b>	–	–	–	–	–
Other exchange debtors	100 631	78 827	9 872	124	189	5 811	5 808
Provision for impairment	(6 789)	(1)	(109)	(12)	(13)	(846)	(5 808)
	<b>93 842</b>	<b>78 826</b>	<b>9 763</b>	<b>112</b>	<b>176</b>	<b>4 965</b>	–
<b>Gross exchange debtors</b>	<b>127 473</b>	<b>83 605</b>	<b>17 696</b>	<b>2 005</b>	<b>1 537</b>	<b>(7 627)</b>	<b>60 257</b>
Provision for impairment	<b>(61 316)</b>	<b>(2 464)</b>	<b>(7 933)</b>	<b>(1 893)</b>	<b>(1 361)</b>	<b>12 592</b>	<b>(60 257)</b>
<b>From non-exchange transactions</b>							
Government subsidies	35 723	24 225	6 047	1 206	375	3 870	–
Other non-exchange debtors	71 732	71 732	–	–	–	–	–
<b>Gross non-exchange debtors</b>	<b>107 455</b>	<b>95 957</b>	<b>6 047</b>	<b>1 206</b>	<b>375</b>	<b>3 870</b>	–
<b>Gross debtors</b>	<b>264 928</b>	<b>179 562</b>	<b>23 743</b>	<b>3 211</b>	<b>1 912</b>	<b>(3 757)</b>	<b>60 257</b>
Total provision for impairment	<b>(61 316)</b>	<b>(2 464)</b>	<b>(7 933)</b>	<b>(1 893)</b>	<b>(1 361)</b>	<b>12 592</b>	<b>(60 257)</b>
<b>Total</b>	<b>203 612</b>	<b>177 098</b>	<b>15 810</b>	<b>1 318</b>	<b>551</b>	<b>8 835</b>	–

**10. OTHER RECEIVABLES continued**

Economic Entity							
Analysis of other receivables' age in days							
Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000	
<b>As at 30 June 2010</b>							
<b>From exchange transactions</b>							
Payments made in advance	1 006	1 006	–	–	–	–	–
	<b>1 006</b>	<b>1 006</b>	–	–	–	–	–
Property rentals	93 188	47 424	(1 446)	1 701	569	11 646	33 294
Provision for impairment	(47 210)	–	–	(1 701)	(569)	(11 646)	(33 294)
	<b>45 978</b>	<b>47 424</b>	<b>(1 446)</b>	–	–	–	–
Other exchange debtors	151 237	123 539	16 690	4 158	387	4 013	2 450
Provision for impairment	(7 159)	(2)	(156)	(112)	(91)	(4 348)	(2 450)
	<b>144 078</b>	<b>123 537</b>	<b>16 534</b>	<b>4 046</b>	<b>296</b>	<b>(335)</b>	–
<b>Gross exchange debtors</b>	<b>245 431</b>	<b>171 969</b>	<b>15 244</b>	<b>5 859</b>	<b>956</b>	<b>15 659</b>	<b>35 744</b>
Provision for impairment	<b>(54 369)</b>	<b>(2)</b>	<b>(156)</b>	<b>(1 813)</b>	<b>(660)</b>	<b>(15 994)</b>	<b>(35 744)</b>
<b>From non-exchange transactions</b>							
Government subsidies	90 118	1 304	70 846	13 570	300	4 098	–
Other non-exchange debtors	48 365	48 365	–	–	–	–	–
<b>Gross non-exchange debtors</b>	<b>138 483</b>	<b>49 669</b>	<b>70 846</b>	<b>13 570</b>	<b>300</b>	<b>4 098</b>	–
<b>Gross debtors</b>	<b>383 914</b>	<b>221 638</b>	<b>86 090</b>	<b>19 429</b>	<b>1 256</b>	<b>19 757</b>	<b>35 744</b>
Total provision for impairment	<b>(54 369)</b>	<b>(2)</b>	<b>(156)</b>	<b>(1 813)</b>	<b>(660)</b>	<b>(15 994)</b>	<b>(35 744)</b>
<b>Total</b>	<b>329 545</b>	<b>221 636</b>	<b>85 934</b>	<b>17 616</b>	<b>596</b>	<b>3 763</b>	–

Municipality of Cape Town						
As at 30 June 2011			As at 30 June 2010			
	Gross balance R'000	Provision for impairment R'000	Net balance R'000	Gross balance R'000	Provision for impairment R'000	Net balance R'000
<b>From exchange transactions</b>	146 982	(60 649)	86 333	233 367	(50 749)	182 618
Payments made in advance	130	–	130	117	–	117
Property rentals	55 808	(54 527)	1 281	93 188	(47 210)	45 978
Other exchange debtors	91 044	(6 122)	84 922	140 062	(3 539)	136 523
<b>From non-exchange transactions</b>	107 455	–	107 455	138 483	–	138 483
Government subsidies	35 723	–	35 723	90 118	–	90 118
Other non-exchange debtors	71 732	–	71 732	48 365	–	48 365
<b>Total</b>	<b>254 437</b>	<b>(60 649)</b>	<b>193 788</b>	<b>371 850</b>	<b>(50 749)</b>	<b>321 101</b>

	2011 R'000	2010 R'000
<b>Reconciliation of impairment provision</b>		
Balance at the beginning of the year	50 749	23 733
Contributions to provisions	9 900	25 223
Transfers to provisions	–	1 793
<b>Balance as at 30 June</b>	<b>60 649</b>	<b>50 749</b>



# Notes to the consolidated financial statements for the year ended 30 June 2011

## 10. OTHER RECEIVABLES continued

Municipality of Cape Town							
Analysis of other receivables' age in days							
Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000	
<b>As at 30 June 2011</b>							
<b>From exchange transactions</b>							
Payments made in advance	130	130	–	–	–	–	–
	<b>130</b>	<b>130</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Property rentals	55 808	3 744	7 824	1 881	1 348	(13 438)	54 449
Provision for impairment	(54 527)	(2 463)	(7 824)	(1 881)	(1 348)	13 438	(54 449)
	<b>1 281</b>	<b>1 281</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Other exchange debtors	91 044	79 276	3 758	167	221	1 814	5 808
Provision for impairment	(6 122)	(1)	(45)	(12)	(13)	(243)	(5 808)
	<b>84 922</b>	<b>79 275</b>	<b>3 713</b>	<b>155</b>	<b>208</b>	<b>1 571</b>	<b>–</b>
<b>Gross exchange debtors</b>	<b>146 982</b>	<b>83 150</b>	<b>11 582</b>	<b>2 048</b>	<b>1 569</b>	<b>(11 624)</b>	<b>60 257</b>
Provision for impairment	<b>(60 649)</b>	<b>(2 464)</b>	<b>(7 869)</b>	<b>(1 893)</b>	<b>(1 361)</b>	<b>13 195</b>	<b>(60 257)</b>
<b>From non-exchange transactions</b>							
Government subsidies	35 723	24 225	6 047	1 206	375	3 870	–
Other non-exchange debtors	71 732	71 732	–	–	–	–	–
<b>Gross non-exchange debtors</b>	<b>107 455</b>	<b>95 957</b>	<b>6 047</b>	<b>1 206</b>	<b>375</b>	<b>3 870</b>	<b>–</b>
<b>Gross debtors</b>	<b>254 437</b>	<b>179 107</b>	<b>17 629</b>	<b>3 254</b>	<b>1 944</b>	<b>(7 754)</b>	<b>60 257</b>
Total provision for impairment	<b>(60 649)</b>	<b>(2 464)</b>	<b>(7 869)</b>	<b>(1 893)</b>	<b>(1 361)</b>	<b>13 195</b>	<b>(60 257)</b>
<b>Total</b>	<b>193 788</b>	<b>176 643</b>	<b>9 760</b>	<b>1 361</b>	<b>583</b>	<b>5 441</b>	<b>–</b>

Analysis of other receivables' age in days							
Total R'000	Not due R'000	0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 365 R'000	+365 R'000	
<b>As at 30 June 2010</b>							
<b>From exchange transactions</b>							
Payments made in advance	117	117	–	–	–	–	–
	<b>117</b>	<b>117</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Property rentals	93 188	47 424	(1 446)	1 701	569	11 646	33 294
Provision for impairment	(47 210)	–	–	(1 701)	(569)	(11 646)	(33 294)
	<b>45 978</b>	<b>47 424</b>	<b>(1 446)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Other exchange debtors	140 062	123 539	13 856	390	328	(501)	2 450
Provision for impairment	(3 539)	(2)	(98)	(112)	(91)	(786)	(2 450)
	<b>136 523</b>	<b>123 537</b>	<b>13 758</b>	<b>278</b>	<b>237</b>	<b>(1 287)</b>	<b>–</b>
<b>Gross exchange debtors</b>	<b>233 367</b>	<b>171 080</b>	<b>12 410</b>	<b>2 091</b>	<b>897</b>	<b>11 145</b>	<b>35 744</b>
Provision for impairment	<b>(50 749)</b>	<b>(2)</b>	<b>(98)</b>	<b>(1 813)</b>	<b>(660)</b>	<b>(12 432)</b>	<b>(35 744)</b>
<b>From non-exchange transactions</b>							
Government subsidies	90 118	1 304	70 846	13 570	300	4 098	–
Other non-exchange debtors	48 365	48 365	–	–	–	–	–
<b>Gross non-exchange debtors</b>	<b>138 483</b>	<b>49 669</b>	<b>70 846</b>	<b>13 570</b>	<b>300</b>	<b>4 098</b>	<b>–</b>
<b>Gross debtors</b>	<b>371 850</b>	<b>220 749</b>	<b>83 256</b>	<b>15 661</b>	<b>1 197</b>	<b>15 243</b>	<b>35 744</b>
Total provision for impairment	<b>(50 749)</b>	<b>(2)</b>	<b>(98)</b>	<b>(1 813)</b>	<b>(660)</b>	<b>(12 432)</b>	<b>(35 744)</b>
<b>Total</b>	<b>321 101</b>	<b>220 747</b>	<b>83 158</b>	<b>13 848</b>	<b>537</b>	<b>2 811</b>	<b>–</b>

**11. CASH AND CASH EQUIVALENTS (BANK AND CASH)**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Bank balance	148 803	140 063	116 877	115 311
ABSA – Primary bank account	40-5658-4470	116 867	115 310	116 867
Salary bank account	40-5658-4496	–	–	–
Cashier's bank account	40-5658-4527	–	–	–
General income account (primary)	40-5658-4569	–	–	–
Traffic fines bank account	40-7261-8663	–	–	–
Integrated rapid transit funding account	5435522023983015	10	10	–
FNB – Traffic fines bank account	62073198816	–	1	–
Other – Subsidiaries	–	31 926	24 752	–
Year-end accruals	–	(194)	(10)	(194)
Interest accrual		291	564	291
Bank charges accrual		(485)	(574)	(485)
		<b>148 609</b>	<b>140 053</b>	<b>116 683</b>
				<b>115 301</b>
Cash on hand and in transit		29 500	23 020	29 412
Call and short-term deposits – see note 6		1 584 284	2 971 917	1 463 426
<b>Amortised cost</b>		<b>1 762 393</b>	<b>3 134 990</b>	<b>1 609 521</b>
				<b>2 992 713</b>
Call and short-term deposits – see note 6		1 541 736	1 518 466	1 541 736
Fair value		<b>1 541 736</b>	<b>1 518 466</b>	<b>1 541 736</b>
				<b>1 518 466</b>
<b>Total</b>		<b>3 304 129</b>	<b>4 653 456</b>	<b>3 151 257</b>
				<b>4 511 179</b>

Subsidiaries have separate bank accounts that are not listed separately.

Cash and cash equivalents comprise cash held and short-term deposits.

**12. LONG-TERM BORROWINGS**

Local registered stock loans	4 278 903	4 278 977	4 278 903	4 278 977
Concessionary loans	30 357	33 243	30 357	33 243
Other loans	1 292 753	1 464 006	1 273 648	1 444 277
Finance leases	66 281	146 019	66 281	146 019
Subtotal – see Appendix A for more details	5 668 294	5 922 245	5 649 189	5 902 516
Current portion transferred to current liabilities	(306 896)	(362 599)	(305 353)	(361 475)
<b>Total</b>	<b>5 361 398</b>	<b>5 559 646</b>	<b>5 343 836</b>	<b>5 541 041</b>

The capitalised lease liabilities are secured by items of leased plant to the carrying value of R65,59 million (2010: R113,74 million). A total of R477,00 million (2010: R248,39 million) has been ring-fenced for the repayment of long-term liabilities – see notes 6 and 40 for more details.

**Long-term borrowings can be detailed as follows:**

**Local registered stock**
**ABSA Investor Services**

Secured bond paying fixed interest semi-annually. As security, a sinking fund was established, which, together with interest capitalised, will be used to settle the original loan liability on 31 March 2014.

**Listed bonds**

In terms of the City's domestic medium-term note (DMTN) programme registered on the JSE Limited (JSE) unsecured bonds totalling R4,20 billion are listed. Interest is payable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date. Certain bond-raising costs have been capitalised and off-set against the proceeds thereof, and are being written off over the periods of the respective bonds. Sinking funds have been established for the purpose of providing for the capital repayment at the dates of redemption.

<b>4 278 903</b>	<b>4 278 977</b>	<b>4 278 903</b>	<b>4 278 977</b>
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7 047	7 047	7 047	7 047
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4 271 856	4 271 930	4 271 856	4 271 930
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**12. LONG-TERM BORROWINGS continued**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
<b>Concessionary loans</b>	<b>30 357</b>	<b>33 243</b>	<b>30 357</b>	<b>33 243</b>
<b>Development Bank of Southern Africa (DBSA)</b>	30 343	33 231	30 343	33 231
An unsecured fixed-term concessionary loan repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. This loan will be fully paid on 30 June 2020.				
<b>Nedcor Bank</b>	14	12	14	12
An unsecured fixed-rate loan, interest payable annually, and loan capital repayable on 31 August 2019.				
<b>Other loans</b>	<b>1 292 753</b>	<b>1 464 006</b>	<b>1 273 648</b>	<b>1 444 277</b>
<b>Development Bank of Southern Africa (DBSA)</b>	731 991	827 884	731 991	827 884
Unsecured fixed-interest loans, repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. These loans have various final redemptions, ranging from 30 June 2015 to 31 December 2022.				
<b>FirstRand Bank</b>	–	19 931	–	19 931
A structured 15-year loan to the value of R125 million, repayable semi-annually in equal instalments of capital and fixed-rate interest.				
As part of the loan structure, the Entity sold moveable assets with a market value of R125 million to FirstRand Bank. FirstRand Bank leased the assets back to the Entity over 15 years, with rentals payable from 2009 to 2011. At the same time, the Entity lent R125 million to FirstRand Bank, repayable together with interest on the same dates and in the same amounts as the rental payable by the Entity under the lease agreement. The Entity ceded its rights under its loan to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness. This loan was repaid on 30 June 2011.				
<b>FirstRand Bank</b>	183 268	189 299	183 268	189 299
A structured 15-year loan to the value of R220 million, of which R200 million is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R20 million payable in one instalment, together with fixed-rate interest, on 30 June 2017. The bullet repayment of the R20 million capital and interest will be made out of the guaranteed investment portfolios of two 15-year sinking-fund investment policies purchased from Momentum Group.				
As part of the loan structure, the Entity purchased two 15-year sinking-fund policies from Momentum Group for an upfront premium of R220 million. R20 million of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, i.e. R200 million, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand Bank for R200 million on the acceptance of the policies. The Entity has ceded and pledged the sinking-fund policies to FirstRand Bank as security for the Entity's obligations to FirstRand Bank under the policies and any other debt liability.				

**12. LONG-TERM BORROWINGS continued**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
<b>FirstRand Bank</b>	41 643	59 336	41 643	59 336
<p>A structured 15-year loan to the value of R150 million, repayable semi-annually in equal instalments of capital and fixed interest.</p> <p>As part of the loan structure, the Entity leased moveable electricity assets with a market value of R150 million to FirstRand Bank for 20 years. Rental was payable in three instalments from 1998 to 2000, with a nominal annual rental thereafter. The rentals have been payable into a deposit account with FirstRand Bank, which attracts a fixed rate of interest. FirstRand Bank leased the assets back to the Entity over 15 years, with rentals payable out of the deposit account from 2003 to 2013, which will reduce to zero on 30 June 2013. The Entity has ceded its rights to repayment of the deposit to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness.</p>				
<b>ABSA Bank</b>	140 000	160 000	140 000	160 000
<p>An unsecured fixed-interest loan, repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. Final redemption on 30 June 2018.</p>				
<b>FirstRand Bank</b>	176 746	187 827	176 746	187 827
<p>A structured 15-year loan to the value of R300 million, of which, R74,30 million is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R225,70 million payable in one instalment together with capitalised fixed-rate interest on 30 June 2018. The bullet repayment of the R225,70 million capital and interest will be made out of a 15-year sinking-fund investment policy purchased from Momentum Group.</p> <p>As part of the loan structure, the Entity purchased a 15-year sinking-fund policy from Momentum Group for a premium of R228,40 million, which was invested in an unguaranteed investment portfolio. The premium is payable semi-annually over 15 years through a series of promissory notes issued by the Entity to Momentum, later sold on to FirstRand Bank and FutureGrowth. In terms of a put-option agreement, the maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand Bank for a fixed-option price of R894,60 million, payable on 30 June 2018. The Entity has ceded and pledged the sinking-fund policy to FirstRand Bank as security for the Entity's obligations to FirstRand Bank under the put-option agreement and any other debt liability.</p>				
<b>DBSA – Claremont Road Bypass Company</b>	18 621	19 465	–	–
<p>Interest is charged at a nominal fixed rate of R186 plus 154 basis points per annum.</p> <p>Repayable in 28 equal six-monthly instalments, commencing on 30 September 2009.</p> <p>Secured by an agreement of cession from Claremont City Improvement District (CID) Company (association incorporated under section 21) (cedent) over their right and title to the levies collected by the City of Cape Town from the Claremont CID ratepayers in terms of the cooperation agreement.</p> <p>The cedent, the company and the City of Cape Town concluded a cooperation agreement in terms of which the City of Cape Town undertook to pay to the cedent levies collected from the ratepayers within the Claremont CID.</p>				

INTRODUCTION

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**12. LONG-TERM BORROWINGS continued**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
<b>Standard Bank Ltd – Epping CID</b>	484	264	–	–
<p>The average lease term is three years, and the average effective borrowing rate was 12,79%.</p> <p>Interest rates are fixed at the contract date. All leases have fixed repayments, and no arrangements have been entered into for contingent rent.</p> <p>The Entity's obligations under finance leases are secured by the lessor's charge over the leased assets.</p>				
<b>Finance leases</b>	<b>66 281</b>	<b>146 019</b>	<b>66 281</b>	<b>146 019</b>
<b>Nedbank</b>	61 997	64 107	61 997	64 107
<p>A sale-and-leaseback, structured 15-year loan to the value of R55,30 million funded by Nedbank through an infrastructure trust. Lease rentals equating to fixed-rate interest are payable semi-annually over 15 years; a bullet rental amount of R55,30 million is payable on 2 January 2012 out of the proceeds of a sinking fund. The Entity deposits equal amounts with Nedbank semi-annually, which, together with compounded interest over 15 years, will equate to the original loan capital. The Entity has ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.</p> <p>An additional floating-rate liability of R2,25 million (2010: R4,19 million) arising from a restructuring of the loan is repayable over the remaining life of the loan.</p>				
<b>Investec</b>	4 284	12 014	4 284	12 014
<p>A sale-and-leaseback, structured 15-year loan to the value of R54,80 million funded by Investec Bank. Lease rentals equating to loan fixed-rate interest plus capital are payable semi-annually over 15 years. Investec has granted the Entity the right to acquire the assets at the expiry of the lease at an agreed option price of R47,60 million. The Entity has deposited with Investec an amount, which, together with compound interest, will equate to the option price payable on 31 December 2011.</p> <p>The Entity has ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.</p>				
<b>Standard Corporate and Investment Bank (SCMB)</b>	–	69 898	–	69 898
<p>A sale-and-leaseback, structured 15-year loan to the value of R59,30 million. The Entity sold moveable electricity assets to Standard Bank at the market value of R59,30 million. The Entity invested R5,80 million of the proceeds in a sinking-fund deposit, which, when compounded over 15 years at a fixed rate of interest, grew to the original loan capital amount. Standard Bank leased the assets back to the Entity, with rentals equating to the loan fixed-rate interest, payable annually over 15 years. A bullet rental amount of R59,30 million was paid on 24 June 2011 out of the sinking-fund deposit.</p>				
<b>Total – see Appendix A for more details</b>	<b>5 668 294</b>	<b>5 922 245</b>	<b>5 649 189</b>	<b>5 902 516</b>

The rates of interest payable on the abovementioned structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs, and the admissibility of deductions by the lenders for income tax purposes in connection with these loans. In the event of amendments to, or interpretation of, the Income Tax Act (Act 58 of 1962) or any other relevant legislation that affects the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

**13. PROVISIONS (NON-CURRENT)**

	Economic Entity				Total R'000
	Environ- mental rehabili- tation R'000	Long- service leave benefits R'000	Post- retirement medical aid benefits R'000	Post- retirement pension benefits R'000	
<b>As at 30 June 2011</b>					
Balance at the beginning of the year	361 386	298 902	2 375 458	13 368	3 049 114
Interest cost	33 604	30 591	243 681	428	308 304
Service cost and transitional liability	(55 619)	22 565	50 846	1 401	19 193
Benefit payments	–	(34 528)	(114 570)	(1 607)	(150 705)
Actuarial (gain)/loss	–	(11 029)	302 782	2 360	294 113
Transferred from current provisions (prior year)	35 500	43 282	124 696	1 847	205 325
	374 871	349 783	2 982 893	17 797	3 725 344
Transfer to current provision	(32 000)	(37 489)	(141 553)	(1 965)	(213 007)
<b>Total</b>	<b>342 871</b>	<b>312 294</b>	<b>2 841 340</b>	<b>15 832</b>	<b>3 512 337</b>

	Municipality of Cape Town				Total R'000
	Environ- mental rehabili- tation R'000	Long- service leave benefits R'000	Post- retirement medical aid benefits R'000	Post- retirement pension benefits R'000	
<b>As at 30 June 2011</b>					
Balance at the beginning of the year	361 386	298 902	2 375 458	13 368	3 049 114
Interest cost	33 604	30 591	243 681	428	308 304
Service cost and transitional liability	(55 619)	22 565	50 846	1 401	19 193
Benefit payments	–	(34 528)	(114 570)	(1 607)	(150 705)
Actuarial (gain)/loss	–	(11 029)	302 782	2 360	294 113
Transferred from current provisions (prior year)	35 500	43 282	124 696	1 847	205 325
	374 871	349 783	2 982 893	17 797	3 725 344
Transfer to current provision	(32 000)	(37 489)	(141 553)	(1 965)	(213 007)
<b>Total</b>	<b>342 871</b>	<b>312 294</b>	<b>2 841 340</b>	<b>15 832</b>	<b>3 512 337</b>

**Long-service leave benefits**

An actuarial valuation has been performed of the Entity's liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of ten years' service and every five years thereafter. The provision is utilised when eligible employees receive the value of the vested benefits.

**Discount rate**

The fund benefit liability as at 30 June 2011 has been discounted at the market yields on government bonds consistent with the estimated term of the liability. A discount rate of 8,16% per annum has been used.

**Key financial assumptions**

	2011	2010
	%	%
Discount rate	8,2	8,9
General inflation rate (consumer price index)	6,3	5,3
Salary increase	6,5	6,3

**Environmental rehabilitation**

Provision is made in terms of the Entity's licensing stipulations on the waste landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 5,6% (2010: 5,4%) and discounted to present value at the average borrowing cost of 10,97% (2010: 11,3%) – hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2011 and 2020.

**Post-retirement medical aid and pension benefits**

An actuarial valuation has been performed of the Entity's liability in respect of benefits to its eligible retirees and retrenched employees. The provision is utilised when eligible employees receive the value of the vested benefits – see note 47 for more details.



# Notes to the consolidated financial statements for the year ended 30 June 2011

## 14. DEPOSITS

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Electricity and water	233 248	228 865	233 248	228 865
Other deposits	11 447	13 728	244	295
<b>Total</b>	<b>244 695</b>	<b>242 593</b>	<b>233 492</b>	<b>229 160</b>

Guarantees held in lieu of electricity and water deposits were R29,26 million (2010: R29,63 million). Deposits are released when the owner/occupant of a property terminates the contract with the Entity to supply water and electricity to the property, or when certain contractual services are delivered.

## 15. PROVISIONS (CURRENT)

	Economic Entity				
	Opening balance 2011 R'000	Raised from statement of financial performance R'000	Reversed to statement of financial performance R'000	Transfers from non-current R'000	Closing balance 2011 R'000
<b>As at 30 June 2011</b>					
Other provisions	147 334	14 279	(12 396)	–	149 217
Insurance claims	5 992	4 986	(5 992)	–	4 986
Post-retirement benefits	126 543	–	(126 543)	143 518	143 518
Legal fees	2 803	2 003	(2 803)	–	2 003
Environmental rehabilitation	35 500	–	(35 500)	32 000	32 000
Leave benefits	421 326	20 419	(43 282)	37 489	435 952
Performance bonuses	2 320	2 468	(2 320)	–	2 468
<b>Total</b>	<b>741 818</b>	<b>44 155</b>	<b>(228 836)</b>	<b>213 007</b>	<b>770 144</b>

	Municipality of Cape Town				
	Opening balance 2011 R'000	Raised from statement of financial performance R'000	Reversed to statement of financial performance R'000	Transfers from non-current R'000	Closing balance 2011 R'000
<b>As at 30 June 2011</b>					
Other provisions	147 282	14 274	(12 344)	–	149 212
Insurance claims	5 992	4 986	(5 992)	–	4 986
Post-retirement benefits	126 543	–	(126 543)	143 518	143 518
Legal fees	2 803	2 003	(2 803)	–	2 003
Environmental rehabilitation	35 500	–	(35 500)	32 000	32 000
Leave benefits	421 326	20 419	(43 282)	37 489	435 952
<b>Total</b>	<b>739 446</b>	<b>41 682</b>	<b>(226 464)</b>	<b>213 007</b>	<b>767 671</b>

### Insurance and COID claims

Provision has been made for outstanding insurance claims as at 30 June 2011, funded out of the insurance reserve. The assessment of claims is based on the assessed quantum of claims received.

### Legal fees

Legal costs relating to the process of defending the Entity in Labour Appeal Court and Labour Court cases for which court dates have already been set. The calculations of these amounts are based on assessments by attorneys.

### Staff leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

### Performance bonuses

Performance bonuses accrue to staff on an annual basis based on the achievement of predetermined performance. The provision is an estimate of the amount due to staff in the service of Cape Town International Convention Centre (Pty) Ltd at the reporting date.

**16. PAYABLES FROM EXCHANGE TRANSACTIONS**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Trade creditors	2 170 658	1 998 378	2 152 151	1 989 078
Payments received in advance	785 846	663 885	785 846	663 885
Inter-company advances	76 489	90 907	76 489	90 907
Third-party payments	215 034	187 675	215 034	187 675
Other creditors	108 151	143 630	92 397	131 342
<b>Total</b>	<b>3 356 178</b>	<b>3 084 475</b>	<b>3 321 917</b>	<b>3 062 887</b>

Guarantees held in lieu of retentions were R662,24 million (2010: R154,36 million).

Trade payables are non-interest-bearing and normally settled on 30-day terms, except retentions that could be settled after 12 months.

Payments received in advance are non-interest-bearing and normally settled on 30-day terms.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe.

**17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**
**Conditional grants from other spheres of government**

	1 122 148	949 826	1 122 148	949 826
Municipal infrastructure grant (MIG)	63 547	–	63 547	–
National Government	663 795	702 923	663 795	702 923
Provincial Government of the Western Cape (PGWC)	394 806	246 903	394 806	246 903

**Other conditional receipts**

Public contributions	85 584	98 614	85 584	98 614
<b>Total</b>	<b>1 207 732</b>	<b>1 048 440</b>	<b>1 207 732</b>	<b>1 048 440</b>

These amounts are separately invested in terms of section 12 of the Municipal Finance Management Act. See notes 27 and 28 for more details of grants from National and Provincial Government.

The unspent portion of the conditional grant will be spent over the next two or three years to the conclusion of the projects for which they were intended. Substantial portions of the grants were provided in advance for the integrated rapid transit (IRT) system.

In many instances, the launch of projects is a protracted process due to interest groups' participation. No amounts are due for repayment to the donors, for the reasons set out above.

**18. VAT**

	273 431	244 911	273 431	244 911
VAT payable	435 785	406 598	435 785	406 598
Impairment	(162 354)	(161 687)	(162 354)	(161 687)
VAT receivable	(216 063)	(193 750)	(216 063)	(193 750)
<b>Total</b>	<b>57 368</b>	<b>51 161</b>	<b>57 368</b>	<b>51 161</b>

The City of Cape Town is registered for VAT on the payment basis. The VAT liability was impaired as a result of an impairment against debtors.

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 19. HOUSING DEVELOPMENT FUND

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
<b>Realised housing proceeds</b>				
Balance at the beginning of the year	397 648	341 894	397 648	341 894
Income	54 437	106 309	54 437	106 309
Land sales	2 917	42 864	2 917	42 864
Repayments – long-term debtors	31 342	34 550	31 342	34 550
Repayments – public organisations	3 024	3 027	3 024	3 027
Service contributions	5 591	5 745	5 591	5 745
Subsidy refunds and other	11 563	20 123	11 563	20 123
Interest	21 761	23 023	21 761	23 023
Expenditure	(51 055)	(53 726)	(51 055)	(53 726)
Funding – capital projects	(22 855)	(28 626)	(22 855)	(28 626)
Funding – operating projects	(28 200)	(25 100)	(28 200)	(25 100)
Non-cash transfer to provision for impairment	(15 973)	(19 852)	(15 973)	(19 852)
<b>Balance at the end of the year</b>	<b>406 818</b>	<b>397 648</b>	<b>406 818</b>	<b>397 648</b>
<b>Unrealised housing proceeds</b>				
Balance at the beginning of the year	133 824	168 957	133 824	168 957
Loans realised	(22 914)	(22 053)	(22 914)	(22 053)
Long-term housing loans	(21 395)	(20 577)	(21 395)	(20 577)
Long-term loans – public organisations	(1 519)	(1 476)	(1 519)	(1 476)
Transfer to impairment provision – long-term selling schemes	21 510	(12 609)	21 510	(12 609)
Transfer to impairment provision – long-term public organisations	(168)	(471)	(168)	(471)
<b>Balance at the end of the year</b>	<b>132 252</b>	<b>133 824</b>	<b>132 252</b>	<b>133 824</b>
<b>Total</b>	<b>539 070</b>	<b>531 472</b>	<b>539 070</b>	<b>531 472</b>

Unrealised housing proceeds represent loan repayments not yet due in terms of the debtors' loan agreement.

## 20. RESERVES AND MINORITY INTEREST

### 20.1 Reserves

Capital replacement reserve (CRR)	1 186 371	1 180 916	1 186 371	1 180 916
Insurance reserve	585 163	658 175	585 163	658 175
Self-insurance reserve	534 055	612 654	534 055	612 654
COVID reserve	51 108	45 521	51 108	45 521
<b>Total</b>	<b>1 771 534</b>	<b>1 839 091</b>	<b>1 771 534</b>	<b>1 839 091</b>

The CRR and the self-insurance reserve are fully funded and invested in ring-fenced financial instruments.

### 20.2 Non-controlling interest

Balance at the beginning of the year	133 604	126 557
Share of net surplus attributable to non-controlling interest	(1 160)	7 047
<b>Total</b>	<b>132 444</b>	<b>133 604</b>

## 21. ACCUMULATED SURPLUS

Accumulated surplus	<b>14 376 480</b>	<b>12 581 561</b>	<b>14 277 369</b>	<b>12 485 228</b>
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Receipts from acquired grant-funded assets to the value of R10,57 billion (2010: R9,85 billion) are included and earmarked to fund the depreciation charges over the assets' useful lives.

## 22. SERVICE CHARGES

Sale of electricity	6 807 930	5 659 845	6 815 178	5 665 721
Sale of water	1 648 459	1 482 819	1 649 307	1 483 354
Waste management (solid waste)	651 966	544 284	651 966	544 284
Wastewater management (sewerage and sanitation)	903 205	801 003	903 205	801 003
Other	481 993	378 108	340 071	241 415
<b>Total</b>	<b>10 493 553</b>	<b>8 866 059</b>	<b>10 359 727</b>	<b>8 735 777</b>

**23. RENTAL OF LETTING STOCK AND FACILITIES**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Rental agreements	246 658	276 628	246 658	276 628
Hire/rentals	37 006	23 298	37 006	23 298
	283 664	299 926	283 664	299 926
Income forgone*	(33 348)	(32 903)	(33 348)	(32 903)
<b>Total</b>	<b>250 316</b>	<b>267 023</b>	<b>250 316</b>	<b>267 023</b>

**24. FINANCE INCOME**

Interest receivable – external investments	343 704	361 681	335 217	351 799
Interest receivable – outstanding debtors	230 391	212 978	230 391	212 978
	574 095	574 659	565 608	564 777
Interest transferred to external funds (conditional grants)	(50 404)	(62 622)	(50 404)	(62 622)
<b>Net finance income</b>	<b>523 691</b>	<b>512 037</b>	<b>515 204</b>	<b>502 155</b>
Gains on valuations of derivatives	–	4 378	–	4 378
Gains on foreign-exchange transactions	32	–	–	–
Gains on valuation of investments	6 866	–	6 866	–
<b>Total</b>	<b>530 589</b>	<b>516 415</b>	<b>522 070</b>	<b>506 533</b>

**25. OTHER INCOME**

<b>Exchange transactions</b>	253 435	267 664	164 909	191 234
Insurance recoveries	1 098	1 316	1 093	1 009
Bulk infrastructure levies	54 926	77 373	54 926	77 373
Skills development levy	17 647	18 437	17 647	18 437
City improvement districts (CIDs)	81 409	68 709	–	–
Other income	98 355	101 829	91 243	94 415
<b>Non-exchange transactions</b>	–	–	81 409	68 709
City improvement districts (CIDs)	–	–	81 409	68 709
<b>Total</b>	<b>253 435</b>	<b>267 664</b>	<b>246 318</b>	<b>259 943</b>

**26. PROPERTY RATES**

<b>Actual</b>				
Residential	}			
Commercial				
State				
Penalties				
		5 272 137	4 189 149	5 277 706
		94 168	86 889	94 168
		5 366 305	4 276 038	5 371 874
Income forgone*		(841 942)	(438 118)	(841 942)
<b>Total</b>		<b>4 524 363</b>	<b>3 837 920</b>	<b>4 529 932</b>
<b>Valuations</b>				
Rateable properties		772 100 106	609 172 811	772 100 106
Non-rateable properties		25 648 841	16 509 646	25 648 841
<b>Total property valuations</b>		<b>797 748 947</b>	<b>625 682 457</b>	<b>797 748 947</b>
<b>Valuations as at July</b>				
Residential		549 409 889	448 792 979	549 409 889
Commercial		172 957 965	126 484 355	172 957 965
Agriculture		8 784 443	3 147 331	8 784 443
State		42 907 205	32 762 683	42 907 205
Municipal		23 689 445	14 495 109	23 689 445
<b>Total property valuations</b>		<b>797 748 947</b>	<b>625 682 457</b>	<b>797 748 947</b>

The last general valuation came into effect on 1 July 2010 and is based on market-related values. Supplementary valuations are processed when completed by the Valuations Department annually to take into account changes to individual property values due to alterations and subdivisions. Rates are levied on a daily basis and are payable monthly. Interest is raised monthly on accounts in arrears at prime plus 1% per annum.

\* Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 27. GOVERNMENT GRANTS AND SUBSIDIES

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
<b>Unconditional grants</b>	836 662	610 891	836 662	610 891
Equitable share	836 662	610 891	836 662	610 891
<b>Conditional grants</b>	1 722 189	2 509 167	1 722 189	2 509 167
Municipal infrastructure grant (MIG)	249 772	298 553	249 772	298 553
Provincial health subsidies	129 925	126 907	129 925	126 907
Cape Metropolitan Transport Fund (CMTF)	32 824	25 718	32 824	25 718
National projects	705 761	1 490 954	705 761	1 490 954
Provincial projects – other	592 282	546 910	592 282	546 910
Other	11 625	20 125	11 625	20 125
<b>Total</b>	<b>2 558 851</b>	<b>3 120 058</b>	<b>2 558 851</b>	<b>3 120 058</b>

The Entity does not foresee a significant decrease in the level of grant funding.

### Unconditional grants

These grants are used to subsidise the provision of basic services to indigent communities.

### Analysis of government grants and subsidies

Operating	1 385 536	1 179 201	1 385 536	1 179 201
Capital	1 173 315	1 940 857	1 173 315	1 940 857
	<b>2 558 851</b>	<b>3 120 058</b>	<b>2 558 851</b>	<b>3 120 058</b>

### Municipal infrastructure grant projects

Balance unspent at the beginning of the year	–	–	–	–
Regrouping adjustment	70 407	91 224	70 407	91 224
Current-year receipts	(383 726)	(327 790)	(383 726)	(327 790)
Adjustments	–	8 420	–	8 420
Conditions met – transferred to revenue	249 772	298 553	249 772	298 553
Amounts still to be claimed	–	(70 407)	–	(70 407)
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>(63 547)</b>	<b>–</b>	<b>(63 547)</b>	<b>–</b>

This grant was used to fund the construction of infrastructural assets for the Entity. The conditions of the grant have been met. No funds have been withheld.

### Provincial health subsidies

Balance unspent at the beginning of the year	–	–	–	–
Current-year receipts – included in public health vote	(129 925)	(126 907)	(129 925)	(126 907)
Conditions met – transferred to revenue	129 925	126 907	129 925	126 907
<b>Conditions still to be met – transferred to liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The Entity renders health services on behalf of the Provincial Government and is refunded partially for expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There were no delays in payment of the subsidies, nor were any amounts withheld.

### Provincial projects and CMTF

Balance unspent at the beginning of the year	(246 903)	(249 851)	(246 903)	(249 851)
Regrouping adjustment	1 545	9 492	1 545	9 492
Current-year receipts	(719 762)	(510 714)	(719 762)	(510 714)
Interest earned	(6 597)	(8 260)	(6 597)	(8 260)
Adjustments	(18 241)	(57 903)	(18 241)	(57 903)
Conditions met – transferred to revenue	625 106	572 628	625 106	572 628
Amounts still to be claimed	(29 954)	(2 295)	(29 954)	(2 295)
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>(394 806)</b>	<b>(246 903)</b>	<b>(394 806)</b>	<b>(246 903)</b>

**27. GOVERNMENT GRANTS AND SUBSIDIES continued**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
<b>National Government projects</b>				
Balance unspent at the beginning of the year	(702 923)	(540 307)	(702 923)	(540 307)
Regrouping adjustment	2 848	16 562	2 848	16 562
Current-year receipts	(640 032)	(1 675 666)	(640 032)	(1 675 666)
Interest earned	(37 312)	(42 360)	(37 312)	(42 360)
Adjustments	7 863	22 035	7 863	22 035
Conditions met – transferred to revenue	705 761	1 490 954	705 761	1 490 954
Amounts still to be claimed/(spent)	–	25 859	–	25 859
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>(663 795)</b>	<b>(702 923)</b>	<b>(663 795)</b>	<b>(702 923)</b>

These grants received from National Government are for operating and capital expenditure (such as budget reform, restructuring, urban renewal, and so forth). Other than the amounts unspent, the conditions of the grants have been met – see Appendix D.

**28. PUBLIC CONTRIBUTIONS**

Public contributions: Consumer connections	40 383	32 395	40 383	32 395
Other	21 437	51 554	21 437	52 551
<b>Total</b>	<b>61 820</b>	<b>83 949</b>	<b>61 820</b>	<b>84 946</b>
<b>Public contributions and other third-party funds</b>				
Balance unspent at the beginning of the year	(98 614)	(99 663)	(98 614)	(99 663)
Regrouping adjustment	6 390	75	6 390	75
Current-year receipts	(44 529)	(50 934)	(44 529)	(50 934)
Interest earned	(1 372)	(1 838)	(1 372)	(1 838)
Adjustments	(3 509)	(29 396)	(3 509)	(29 396)
Conditions met – transferred to revenue	61 820	84 946	61 820	84 946
Amounts still to be claimed	(5 770)	(1 804)	(5 770)	(1 804)
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>(85 584)</b>	<b>(98 614)</b>	<b>(85 584)</b>	<b>(98 614)</b>

The Entity receives grants from various private donors for operating and capital projects. Included in these funds are monies held on behalf of third parties. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

**29. EMPLOYEE-RELATED COSTS**

Salaries and wages	3 963 206	3 538 782	3 932 202	3 510 920
Social contributions – UIF*, pensions and medical aid	1 034 405	884 635	1 031 092	881 642
Travel, motor car, accommodation, subsistence and other allowances	273 051	252 200	273 051	252 200
Housing benefits and allowances	31 315	43 831	31 315	43 831
Overtime payments	277 658	261 101	277 174	260 781
Performance bonus – net contribution	1 880	1 685	–	–
Contribution: Post-retirement and long-service	600 062	669 586	600 062	669 586
	6 181 577	5 651 820	6 144 896	5 618 960
Expenditure recharged to capital projects	(21 129)	(19 524)	(21 129)	(19 524)
<b>Total</b>	<b>6 160 448</b>	<b>5 632 296</b>	<b>6 123 767</b>	<b>5 599 436</b>

\* UIF = Unemployment Insurance Fund



**29. EMPLOYEE-RELATED COSTS continued**

**Analysis of remuneration benefits**

	Total R'000	Annual salary R'000	Performance bonus R'000	Car allowance R'000	Social contribution R'000	Travel and subsistence R'000
<b>Remuneration of executives</b>						
<b>2011</b>						
City Manager	1 940	1 334	375	–	217	14
Finance	1 550	957	305	117	171	–
Health	1 429	851	282	133	163	–
Integrated Human Settlement Services	1 517	1 051	298	–	168	–
Service Delivery Integration	–	–	–	–	–	–
Economic and Social Development	1 407	930	235	72	155	15
Safety and Security	1 313	931	149	95	138	–
Community Development	1 563	1 024	305	84	150	–
Corporate Services	1 597	1 069	298	60	159	11
Strategy and Planning	803	489	298	16	–	–
Transport, Roads and Stormwater	1 728	1 197	339	–	189	3
Utility Services	1 634	1 164	264	47	159	–
Internal Audit	1 440	1 086	281	72	1	–
Chief Executive Officer (CTICC)*	1 314	1 167	147	–	–	–
	<b>19 235</b>	<b>13 250</b>	<b>3 576</b>	<b>696</b>	<b>1 670</b>	<b>43</b>
<b>2010</b>						
City Manager	1 432	1 181	–	51	200	–
Finance	1 162	875	–	117	170	–
Health	1 112	774	44	133	161	–
Integrated Human Settlement Services	1 136	968	–	14	154	–
Service Delivery Integration	1 287	1 081	–	36	170	–
Economic and Social Development	1 067	852	–	72	143	–
Safety and Security	1 064	802	42	95	125	–
Community Development	1 162	940	–	84	138	–
Corporate Services	1 134	929	–	60	145	–
Strategy and Planning	1 135	1 084	–	49	2	–
Transport, Roads and Stormwater	943	846	–	–	97	–
Utility Services	1 209	1 011	–	48	150	–
Internal Audit	1 070	996	–	72	2	–
Chief Executive Officer (CTICC)*	1 114	1 013	101	–	–	–
	<b>16 027</b>	<b>13 352</b>	<b>187</b>	<b>831</b>	<b>1 657</b>	<b>–</b>

Economic Entity		Municipality of Cape Town	
2011	2010	2011	2010
R'000	R'000	R'000	R'000

**30. REMUNERATION OF COUNCILLORS**

Executive Mayor	971	853	971	853
Deputy Executive Mayor	766	672	766	672
Speaker	766	672	766	672
Chief Whip	719	631	719	631
Mayoral Committee members	6 497	6 522	6 497	6 522
Subcouncil chairpersons	15 117	14 617	15 117	14 617
Councillors	54 274	51 899	54 274	51 899
Councillors' pension contributions	9 511	8 585	9 511	8 585
Board members (CTICC)*	237	226	–	–
<b>Total</b>	<b>88 858</b>	<b>84 677</b>	<b>88 621</b>	<b>84 451</b>

**In-kind benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee members are employed full time, and have access to Council's vehicles for official functions.

Subcouncil chairpersons and full-time councillors are provided with an office and administrative and secretarial support at the cost of Council.

The Executive Mayor has two full-time bodyguards, and all councillors have access to security in terms of the councillors' security policy.

Councillors are provided with work stations/ward offices, which are appropriately equipped. Computers are provided to councillors, either in their offices or at their homes.

\* CTICC = Cape Town International Convention Centre (Pty) Ltd

**31. IMPAIRMENT COSTS**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Allowances for impairment losses	773 536	632 337	773 226	629 272
Impairment of property, plant and equipment	25 958	52 040	9 866	52 040
<b>Total</b>	<b>799 494</b>	<b>684 377</b>	<b>783 092</b>	<b>681 312</b>

**32. DEPRECIATION AND AMORTISATION EXPENSES**

Depreciation of property, plant and equipment	1 270 877	998 517	1 249 295	977 948
Depreciation of investment property	2 598	4 464	2 598	4 464
Amortisation of intangible assets	10 207	8 937	10 207	8 937
<b>Total depreciation and amortisation expenses</b> – see notes 1, 3, 4 and Appendix B	<b>1 283 682</b>	<b>1 011 918</b>	<b>1 262 100</b>	<b>991 349</b>
Grant-funded assets financed from reserves	(484 249)	(401 673)	(484 249)	(401 673)
<b>Net total depreciation and amortisation</b>	<b>799 433</b>	<b>610 245</b>	<b>777 851</b>	<b>589 676</b>

**33. FINANCE COSTS**

Interest expenses	685 283	602 522	638 588	600 751
Long-term borrowings (amortised cost)	663 565	578 250	661 870	576 479
Finance leases (amortised cost)	21 718	24 272	21 718	24 272
Unwinding of discount	33 604	42 513	33 604	42 513
Amortisation of bond issue expenses	283	226	283	226
Loss on foreign-exchange transactions	–	166	–	5
<b>Total</b>	<b>719 170</b>	<b>645 427</b>	<b>717 475</b>	<b>643 495</b>

**34. BULK PURCHASES**

Electricity	4 326 842	3 392 122	4 326 842	3 392 122
Water	293 323	244 767	293 323	244 767
<b>Total</b>	<b>4 620 165</b>	<b>3 636 889</b>	<b>4 620 165</b>	<b>3 636 889</b>

**35. GRANTS AND SUBSIDIES PAID**

Ad hoc	11	32	–	–
Community upliftment	9 315	5 882	9 315	5 882
Destination-marketing organisation, and tourism	–	57 900	–	64 766
Economic promotion and job creation	65 953	259	71 307	259
Educational institutions and health forums	–	1 779	–	1 779
Health and HIV/Aids/TB	1 204	1 553	1 204	1 553
Programmes, conferences and events	4 909	411	4 909	411
Senior citizens and disabled	456	–	456	–
Social arts, culture and other	5 647	6 466	5 647	6 466
Sporting bodies	544	4 232	544	4 232
Wesgro	–	8 845	–	8 845
Khayelitsha Community Trust	5 354	6 866	–	–
<b>Total</b>	<b>93 393</b>	<b>94 225</b>	<b>93 382</b>	<b>94 193</b>

### 36. GENERAL EXPENSES

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Chemicals	91 898	84 848	91 898	84 848
Communication and publication	28 515	32 620	26 255	30 376
Computer services and software	22 632	32 163	19 174	30 004
Consultants	145 448	149 848	141 440	146 373
Electricity – Eskom payments	71 025	52 774	70 981	52 740
Fuel	144 049	131 110	143 758	130 890
Furniture and fittings	15	–	15	–
Hire charges	119 064	134 562	118 739	134 211
Legal fees	36 294	28 680	35 941	28 424
Levy: Skills development	43 499	37 936	43 499	37 936
Licences and permits	70 869	63 322	70 869	63 322
Materials and consumables	298 897	302 682	279 307	286 488
City improvement districts (CIDs)	–	–	78 967	66 648
Minor tools and equipment	50 291	42 121	50 283	42 118
Pharmaceutical supplies	75 441	57 958	75 441	57 958
Postage and courier	25 993	26 294	25 973	26 254
Printing and stationery	57 496	63 614	56 958	63 133
Rental	64 085	54 145	62 849	52 158
Inventory: Taken on/scraping	1 243	(806)	1 243	(806)
Security services	276 722	252 718	272 550	248 389
Sewerage services – disposals external	35 209	25 344	35 209	25 344
Telecommunications	115 859	117 171	114 246	115 772
Training	53 728	59 297	52 179	58 585
Insurance: Claims	26 611	24 054	26 611	24 054
Insurance: Underwriting	26 217	22 447	26 217	22 447
Indigent relief	338 696	321 187	338 696	321 187
Contributions, transfers and other	542 181	500 358	515 304	474 171
	2 761 977	2 616 447	2 774 602	2 623 024
Expenditure recharged to capital projects	(3 253)	(2 481)	(3 253)	(2 481)
<b>Total</b>	<b>2 758 724</b>	<b>2 613 966</b>	<b>2 771 349</b>	<b>2 620 543</b>

### 37. TAXATION

#### Deferred taxation

##### Cape Town International Convention Centre (Pty) Ltd

Deferred income taxes are calculated on all temporary differences under the balance sheet method, using a tax rate of 28% (2010: 28%).

At the beginning of the year	9 240	11 050
Prior-period error adjustment	–	(402)
Correction deferred tax asset previous year	–	(42)
Temporary differences	(922)	(1 366)
At the end of the year	<b>8 318</b>	<b>9 240</b>

##### City improvement district

At the beginning of the year	–	–
Temporary differences	35	–
At the end of the year	<b>35</b>	<b>–</b>

##### The balance comprises

Capital allowance (non-deductible temporary differences)	8 318	9 240
Temporary differences on prepayments	30	–
Temporary differences on finance leases obligations	5	–
Total	<b>8 353</b>	<b>9 240</b>

##### Statement of financial performance charge

Taxation		
Current year: Cape Town International Convention Centre	6 426	5 546
City improvement districts	29	(7)
	<b>6 455</b>	<b>5 539</b>

**38. CASH GENERATED FROM OPERATIONS**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Surplus for the year	1 740 255	2 167 802	1 732 182	2 147 262
Adjustment for:	2 495 911	1 999 312	2 467 771	1 983 409
Depreciation	1 283 682	1 011 918	1 262 100	991 349
Impairment	25 958	52 040	9 866	52 040
Gain and loss on disposal of assets	(16 909)	(75 683)	(17 051)	(76 044)
Loss on valuation of derivatives	–	(4 378)	–	(4 378)
Contribution to provisions	491 549	636 660	491 448	636 596
Contribution to impairment provision	523 050	249 743	526 003	246 884
Finance income	(530 589)	(516 415)	(522 070)	(506 533)
Finance costs	719 170	645 427	717 475	643 495
<b>Operating surplus before working capital changes</b>	<b>4 236 166</b>	<b>4 167 114</b>	<b>4 199 953</b>	<b>4 130 671</b>
(Increase)/decrease in inventories	(37 076)	1 791	(38 169)	3 209
Increase in trade receivables	(843 276)	(831 095)	(845 591)	(830 677)
Increase in other receivables	118 986	49 151	117 413	48 411
Increase in unspent conditional grants and receipts	159 292	158 619	159 292	158 619
Increase in payables	271 703	249 243	259 030	250 184
Increase in net VAT	6 207	60 967	6 207	60 967
<b>Cash generated from operations</b>	<b>3 912 002</b>	<b>3 855 790</b>	<b>3 858 135</b>	<b>3 821 384</b>

**39. CASH AND CASH EQUIVALENTS**

Balance at the end of the year	3 304 129	4 653 456	3 151 257	4 511 179
Balance at the beginning of the year	4 653 456	2 758 526	4 511 179	2 632 526
<b>Net (decrease)/increase in cash and cash equivalents – see note 11</b>	<b>(1 349 327)</b>	<b>1 894 930</b>	<b>(1 359 922)</b>	<b>1 878 653</b>

**40. UTILISATION OF LONG-TERM BORROWINGS RECONCILIATION**

Long-term borrowings raised – see Appendix A	335	2 000 367	–	2 000 000
External finance fund (EFF) earmarked capital expenditure	(2 700 480)	(3 810 138)	(2 700 480)	(3 810 138)
2009/10 and prior years	(1 720 913)	(1 763 419)	(1 720 913)	(1 763 419)
2010/11	(979 567)	(2 046 719)	(979 567)	(2 046 719)
Total EFF (overdrawn)	(2 700 145)	(1 809 771)	(2 700 480)	(1 810 138)
Cash set aside for the repayment of long-term borrowings – see notes 6 and 12	476 998	248 387	476 998	248 387
<b>Cash overdrawn</b>	<b>(2 223 147)</b>	<b>(1 561 384)</b>	<b>(2 223 482)</b>	<b>(1 561 751)</b>

## 41. BUDGET INFORMATION

### 41.1 Explanation of variances between approved and final budget amounts

The variances between the approved and final budgets are mainly due to virements, the negative effect of the abnormally high electricity and solid waste tariff increases on consumer debtors, the decrease in the expected capital expenditure, and the reprioritisation of capital projects, with the corresponding changes to funding sources and the fact that a decision was made at final budget stage not to take up any loans during the year.

### 41.2 Explanation of variances greater than 5%: Final budget and actual amounts

#### 41.2.1 Statement of financial position

- i) Current assets  
The cash available was much higher than anticipated, inter alia due to the underspending of capital.
- ii) Current liabilities  
The budgeted payables were lower than the actual payables, mainly due to payments in advance that were higher than anticipated.

#### 41.2.2 Statement of financial performance

##### *Revenue*

- i) Finance income  
The actual revenue from interest earned is the result of improved cash collection and the lower-than-planned spending, which resulted in larger-than-planned cash/investment balances.
- ii) Licences and permits  
The variance is largely due to a higher-than-expected demand for driver's licences, learner's licences, certificates of roadworthiness and professional driving permits (PDPs).
- iii) Gains on disposal of property, plant and equipment (PPE)  
The revenue from the disposal of PPE was largely influenced by the general economic climate and specifically on the sale of property. The response from the property industry was much lower than expected. A large number of properties were identified, approved for disposal and advertised per tender. A number of delays in the processes resulted in transactions not being finalised in the 2010/11 financial year and the final results will only be reflected in the 2011/12 financial year.
- iv) Property rates  
The total rates billing was budgeted according to the valuations in the 2009 general valuation, taking into account valuations proposed by the objectors. The higher rates billed are due to the fact that a large number of objections resulted in higher valuations than proposed by the objectors. Actual income forgone is less than planned and mainly due to qualifying agricultural rebates being less than anticipated.
- v) Government grants and subsidies  
The variance is a result of under-recovery (underspending) on grant-funded capital and operational projects in the Entity. The under-recovery is mainly due to delays in tender processes, community involvement and participation, contractor performance, and a slow implementation rate of projects.
- vi) Public contributions  
The variance is a result of lower-than-planned public donations funded capital and operational projects in the Entity. The under-recovery is mainly due to delays in tender processes, community involvement and participation, contractor performance, and a slow implementation rate of projects.

##### *Expenditure*

- i) Impairment costs  
The variance is mainly the result of improved collection ratios on rates and electricity, and lower-than-planned land purchases for housing development.
- ii) Collection costs  
The variance is due to a lower-than-estimated tender price for commission payable to third-party collection agencies with regard to traffic fine income.
- iii) Finance costs  
The variance is mainly due to a provision made for an additional bond to be taken up but not required as a result of the City's sound financial position.
- iv) General expenses  
The lower-than-estimated expenditure against projects is mainly a result of delays in the implementation of various grant-funded projects.

#### 41.2.3 Cash flow statement

- i) Net cash from operating activities  
The variance is mainly due to government grants recognised being lower than expected due to the lower-than-expected capital expenditure.
- ii) Net cash from investing activities  
The variance is mainly the result of the lower-than-expected capital expenditure.
- iii) Net cash from financing activities  
No loans were taken up due to lower-than-expected capital expenditure.

## 41. BUDGET INFORMATION continued

### 41.2.4 Capital expenditure

- i) Budget and treasury office  
Corporate contingency provisions which are utilised for the replacement of assets as and when insurance claims are settled, as well as small amounts of savings being realised.
- ii) Planning and development  
Disputed the last remaining works; late award of tender as well as rain delays during June; late change in the scope of the work programme activities resulted in extended project timeframes; contractor experienced financial difficulties resulting in the contract being cancelled and savings realised.
- iii) Health  
Late arrival of donor funding as well as having received more in the current year than had been anticipated; community interference regarding the appointment of the community liaison officer, plans not approved by Building Control, despite it being submitted well in advance, the slow rate of progress on site by the contractor; Eskom could not complete installation at the facility because of a dispute with the City of Cape Town over the guarantee sum and, therefore, the contractor was unable to complete the electrical work; and savings realised.
- iv) Community and social services  
Late arrival of donor funding; savings realised; late appointment of consultants; contingency provisions which are utilised for the replacement of assets as and when insurance claims are settled; delay in contractor appointment and inclement weather; delays in obtaining way leaves; tender was not awarded due to insufficient information and motivation, which caused the matter to be referred back; Heritage Western Cape required a conservation plan to be submitted to them prior to any works or alterations can take place; delay in obtaining a surety from the contractor, and land issues.
- v) Public safety  
Contingency provisions which are utilised for the replacement of assets as and when insurance claims are settled; savings realised; safety issues with respect to the structural-steel framework of the building; quality of workmanship; renegotiations required in order to finalise changes to the scope of work; outcome of tender appeal was only communicated to the Department on 28 June 2011.
- vi) Sport and recreation  
Late arrival of donor funding; contractors performing slower than anticipated; some projects started late due to capacity issues.
- vii) Environmental protection  
Nature of the terrain; inclement weather; structural cracks were not anticipated; public objection which needed to be resolved before building plan approval could be obtained and savings realised.
- viii) Road transport  
Late arrival of donor funding; departmental capacity constraints; tender appeals; underperformance of contractors and consultants; delays due to planning/environmental impact assessment (EIA) processes, and savings realised.
- ix) Housing  
Project opposed by surrounding communities, which resulted in a lengthy facilitation process; community prevented contractor from working on site; delays in obtaining EIA, township, general plan and engineering design approvals. Land acquisition: offers to purchase declined by land owners, or unrealistic prices offered; savings realised, and contingency provisions which are utilised for the replacement of assets as and when insurance claims are settled.
- x) Waste management  
Tender appeals; way leave approvals; contractor, vendor underperformance and supply constraints; long lead times; contingency provisions which are utilised for the replacement of assets as and when insurance claims are settled; being lower-than-anticipated tender prices, and savings realised.
- xi) Water  
Tender appeals; delay in electricity supply by Eskom; EIA process delays; inclement weather; way leave approvals; contractor, vendor underperformance and supply constraints; community interference; long lead times; unexpected delays due to failed pressure tests; contingency provisions which are utilised for the replacement of assets as and when insurance claims are settled; lower-than-anticipated tender prices, and savings realised.
- xii) Electricity  
Savings realised; contractor, vendor underperformance and supply constraints; long lead times; suppliers could not deliver by financial year-end; problems encountered on site after commencement of work; defects found on equipment mechanisms delivered, which resulted in project and tender process delays.
- xiii) Other  
Over-expenditure is mainly due to costs incurred on the expansion of the convention centre.



## 42. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES

### 42.1 Irregular expenditure

	Economic Entity		Municipality of Cape Town	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Opening balance	102 496	238	101 106	238
Irregular expenditure – supply chain management regulations (see incidents below)	96 020	102 496	86 058	101 106
Irregular expenditure – misappropriation of funds (see incidents below)	731	–	–	–
Approved by Council	(1 390)	(238)	–	(238)
<b>Closing balance</b>	<b>197 857</b>	<b>102 496</b>	<b>187 164</b>	<b>101 106</b>
<b>Incident</b>				
Proper tender procedures not followed due to oversight	–	8 637	–	7 247
Theft of cash	322	–	–	–
Fraudulent supplier payment	409	–	–	–
Deviations from supply chain management regulations due to nature of business	9 962	–	–	–
Supply chain management policy on declarations of interest for quotations under R30 000 not fully adhered to in respect of suppliers found to be in the employ of the state	9 166	6 754	9 166	6 754
Supply chain management policy on declarations of interest for quotations under R200 000 not fully adhered to in all commodity types	36 772	28 997	36 772	28 997
One instance of the declaration of interest of a supplier in the employ of the state overlooked	210	105	210	105
Business conducted with a councillor due to a delay in remedial action as a result of an overlap of election processes, and with staff due to omission of details in their declarations	1 275	776	1 275	776
One instance of a supplier prohibition and another of a legitimate company with a prohibited shareholder not detected	5 272	4 394	5 272	4 394
Contracts not advertised for the full 30-day period as required mainly due to not having given regard to the weekend at the end of the 30 days	33 363	52 833	33 363	52 833
<b>Incidents for the year</b>	<b>96 751</b>	<b>102 496</b>	<b>86 058</b>	<b>101 106</b>

The matters listed above are being investigated, and due process will be followed for reporting to Council. As a result of the audit process on irregular expenditure in the current year, the comparative figures of the previous year have been adjusted to R102,50 million from a prior total of R8,64 million.

### 42.2 Fruitless and wasteful expenditure

Opening balance	439	1 080	431	948
Fruitless expenditure current-year	–	176	–	168
Approved by Council	(8)	(817)	–	(685)
<b>Closing balance</b>	<b>431</b>	<b>439</b>	<b>431</b>	<b>431</b>
<b>Incident</b>		<b>Proceedings</b>		
Late-payment interest – SARS	–	8	–	–
Grants and subsidies (non-compliance MOA)*	–	140	–	140
FIFA World Cup costs	–	28	–	28
<b>Incidents for the year</b>	<b>–</b>	<b>176</b>	<b>–</b>	<b>168</b>

\* MOA = memorandum of agreement

**42. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES continued**

**42.3 Material losses**

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Non-revenue water: Bulk	25 380	70 263	25 380	70 263
Reticulation (normal distribution)	481 164	423 598	481 164	423 598
Electricity losses	689 266	485 553	689 266	485 553
<b>Total</b>	<b>1 195 810</b>	<b>979 414</b>	<b>1 195 810</b>	<b>979 414</b>

**Non-revenue water**

In the current year, the water losses consisted of bulk water of 2,6% (2010: 8,0%) and reticulation losses of 19,6% (2010: 18,6%). The percentage unaccounted-for water between the treatment plant and points of connection from the bulk system or reservoirs to the reticulation distribution system is known to be predominantly due to metering inefficiencies, which constitutes an apparent loss. A major reduction has been made since the previous financial year by addressing metering inconsistencies.

For technical losses due to bursts and leaks in reticulation mains, the best that can be done is to reduce the loss by 1,5% through sustained funding to prevent bursts. This is critical in the sense that technical losses are real losses (water going into the ground), whereas apparent losses deals more with accountability, although the water is put to some use.

**Electricity losses**

In the current year, the energy losses were 8,9% (2010: 7,7%). Losses are split into technical and non-technical. Technical losses are a result of the very nature of electricity and the way it is conducted via lines, the status/condition and age of the network, weather conditions and the load on the system. Non-technical losses are the result of theft or vandalism. Some benchmarking indicates that an acceptable percentage is between 10% and 15%.

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000

**43. ADDITIONAL DISCLOSURES**

**43.1 Supply Chain Management Regulations**

**43.1.1 Deviations**

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from supply chain management policy needs to be approved/condoned by the City Manager, and noted by Council. The expenses incurred, as listed below, have been approved/condoned by the City Manager and noted by Council.

**Incident**

Appointment of consultants	41 068	105 566	41 068	105 566
Information technology upgrade	7 402	104 294	7 402	104 294
Upgrade of electricity services	3 344	5 938	3 344	5 938
Extension of contract	518 289	19 969	518 289	19 969
Upgrade of road infrastructure	32 402	66 535	32 402	66 535
Supply and delivery of plant and equipment	59 430	339 294	59 430	339 294
Other	175 979	301 594	155 078	258 658
Deviations less than R200 000	290 999	267 525	290 999	267 525
<b>Total amount condoned</b>	<b>1 128 913</b>	<b>1 210 715</b>	<b>1 108 012</b>	<b>1 167 779</b>

All deviations considered by the City Manager are processed in terms of the Supply Chain Management Regulation and the supply chain management policy. This process entails being assessed by the Supply Chain Management Bid Adjudication Committee in terms of the stipulated criteria of procurements of an emergency nature, availability from only one provider, art historic objects, circumstances where it is impractical or impossible to follow the official procedure or correction of minor breaches of a technical nature.

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 43. ADDITIONAL DISCLOSURES continued

### 43.1.2 Bids awarded to family of employees in service of the state

Name	Position held in state	Economic Entity		Municipality of Cape Town	
		2011	2010	2011	2010
		R'000	R'000 Restated	R'000	R'000 Restated
J. Hintenaus	Environmental Health Officer	4	1	4	1
N. Goniwe	Water Pollution Control Inspector	417	615	417	615
G. Hector	Superintendent	4	–	4	–
J. du Toit	Inspector	37 878	44 523	37 878	44 523
A. Cedras	Senior Superintendent	1 317	895	1 317	895
W. Timotheus	Operational Supervisor/Driver	13	10	13	10
C. Rhoda	Clerk 3	7 222	2 453	7 222	2 453
Q.G. Sipoyo	Risk and Safety Adviser	350	373	350	373
P. Booyesen	Clerk 3	1 115	722	1 115	722
S.S. Merile	Operator: Small Plant	1 071	205	1 071	205
N. Hoosain	Clerk 3	566	593	566	593
J. Pienaar	Senior Professional Officer	2	–	2	–
D. Michaels	Administrative Officer 1	15	258	15	258
L. Swartz	Clerk 1	58	193	58	193
M.F. Votersen	Head: Finance Parks	1 148	1 655	1 148	1 655
V. Mwahla	Head: Area 3	6	183	6	183
P. Sonyabashe	Worker	172	–	172	–
M.F. Sammy	Administrative Officer 1	68	4	68	4
R. Swanson	Courier	117	108	117	108
F. Trom	Worker	5	39	5	39
J. Maputsi	Learner Firefighter/Firefighter/ Senior	1 587	988	1 587	988
J. Arendse	Handyman	167	22	167	22
I. Taliep	Clerk 1	236	136	236	136
T. Hartogh	Superintendent	12	50	12	50
C. van der Vendt	Senior Worker	379	362	379	362
G. Koning	Enrolled Nurse	52	39	52	39
P.A. Singama	Administrative Officer 1 (Subcouncil 14)	15	2	15	2
M.F. Baloyi	Worker	8	12	8	12
J. Manuel	Traffic Officer 2	7	–	7	–
S.S. Daries	Senior Superintendent	51	137	51	137
R. Platen	Special Workman	5	12	5	12
A. Jonkers	Senior Foreman	40	22	40	22
B. Francis	Administrative Officer 1	7	47	7	47
J. Adams	Secretary	152	33	152	33
M.F. Khan	Clerk 3	180	124	180	124
E. Vermeulen	Assistant Librarian (part time)	64	9	64	9
A. Hoppie	Clerk 2	3	36	3	36
D. Isaacs	Clerk 3	42	–	42	–
A. Charles	Functional Operational Manager	31	–	31	–
W. Kloppers	Senior Health Practitioner	3	–	3	–
J. Williams	Clerk 3	127	–	127	–
M.C. Mshweshwe	Statutory Compliance Specialist	53	–	53	–
L. January	Head: Area 5	27	–	27	–
M. Valentine	Senior Operational Supervisor/ Driver	65	–	65	–
R. Davids	Assistant buyer	250	–	250	–
M. Thorpe	Assistant buyer	366	–	366	–
J. du Toit	Assistant buyer	222	–	222	–
M. Pardenwachter	Operational Dev. Practitioner: Strategy, Support and Coordination	–	1 469	–	1 469
<b>Total</b>		<b>55 699</b>	<b>56 330</b>	<b>55 699</b>	<b>56 330</b>

The 2010 comparative amount of R56,33 million has been restated from R1,47 million.

**43. ADDITIONAL DISCLOSURES continued**  
**43.2 Municipal Finance Management Act**  
**43.2.1 Section 124**

**Disclosures concerning councillors, directors and officials**

Councillors' arrear consumer accounts

**As at 30 June 2011**

	Total R	Outstanding <90 days R	Outstanding >90 days R
F.C. Christians	6 526	580	5 946
E.N. Hinana	15 357	11 239	4 118
L. Maci	1 859	95	1 764
C.W. Ipser	10 749	6 502	4 247
L.D. Jordaan	5 721	–	5 721
H.K. Morkel – Carthen Investment (Pty) Ltd	47 040	–	47 040
N. Ndzulwana	4 020	333	3 687
T. Sakathi	1 964	782	1 182
M. Weavers	4 379	1 102	3 277
G.L. Zondani	2 808	2 335	473
N.C. Nyakatya	1 614	975	639
<b>These balances have been paid in full at 31 August 2011</b>	<b>102 037</b>	<b>23 943</b>	<b>78 094</b>

A. Gabuza	7 239	811	6 428
T. Gqada	20 612	–	20 612
F.L. Abrahams	9 841	700	9 141
V.R. Isaacs	43 678	17 226	26 452
L.V. James	17 807	1 495	16 312
C.J. Mack	11 021	8 438	2 583
J.J. Maxheke	14 880	944	13 936
A.X. Ndongeni	65 300	2 018	63 282
<b>Arrangements are in place for the payment of these balances</b>	<b>190 378</b>	<b>31 632</b>	<b>158 746</b>
<b>Total</b>	<b>292 415</b>	<b>55 575</b>	<b>236 840</b>

**As at 30 June 2010**, there were no councillors' consumer accounts in arrears.

- 43.2.2 Included in the debtors' arrears is an amount of R1,85 million, outstanding for more than 120 days, owed by the representative political parties to the Entity. Legal judgment have been given against one defaulting debtor and assets to the value of approximately R13 000 has been attached.

**43.2.3 Section 125**

**Other compulsory disclosures**

**As at 30 June 2011**

	SALGA* contri- butions R'000	Audit fees R'000	PAYE** and UIF*** R'000	Pension and medical aid R'000
Opening balance	–	1 296	53 222	122 658
Subscriptions/fees	13 862	19 443	757 366	1 625 205
Amount paid – current year	–	(18 962)	(696 947)	(1 483 431)
Amount paid – previous years	(6 692)	(1 296)	(53 222)	(122 658)
<b>Balance unpaid (included in payables)</b>	<b>7 170</b>	<b>481</b>	<b>60 419</b>	<b>141 774</b>

**As at 30 June 2010**

Opening balance	–	80	44 181	105 349
Subscriptions/fees	–	17 676	656 191	1 405 907
Amount paid – current year	–	(16 380)	(602 969)	(1 283 249)
Amount paid – previous years	–	(80)	(44 181)	(105 349)
<b>Balance unpaid (included in payables)</b>	<b>–</b>	<b>1 296</b>	<b>53 222</b>	<b>122 658</b>

\* SALGA = South African Local Government Association

\*\* PAYE = pay as you earn

\*\*\* UIF = Unemployment Insurance Fund

#### 44. COMMITMENTS

##### 44.1 Capital commitments

Commitments in respect of capital expenditure

Approved and contracted for:

	Economic Entity		Municipality of Cape Town	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Infrastructure	480 101	873 264	480 101	873 264
Community	141 212	19 673	141 212	19 673
Heritage	–	4 585	–	4 585
Other	277 215	766 025	277 215	766 025
<b>Total</b>	<b>898 528</b>	<b>1 663 547</b>	<b>898 528</b>	<b>1 663 547</b>

This expenditure will be financed from:

External loans	250 878	401 957	250 878	401 957
Capital replacement reserve	28 269	25 854	28 269	25 854
Government grants	612 494	1 228 569	612 494	1 228 569
Other sources	6 887	7 167	6 887	7 167
<b>Total</b>	<b>898 528</b>	<b>1 663 547</b>	<b>898 528</b>	<b>1 663 547</b>

##### 44.2 Operating lease commitments

###### The Entity as lessee

Future minimum lease payments under non-cancellable operating leases

###### Land and buildings

	57 887	98 905	56 420	97 840
Payable within one year	45 958	48 507	44 559	48 077
Payable within two to five years	11 929	50 398	11 861	49 763

###### Vehicles and other equipment

	439	14 160	439	14 160
Payable within one year	116	13 423	116	13 423
Payable within two to five years	254	605	254	605
Payable after five years	69	132	69	132

**58 326      113 065      56 859      112 000**

Minimum lease payments recognised as an expense during the period amount to R62,63 million (2010: R61,13 million). Leased premises are contracted for remaining periods of between one and four years, with renewal options available in certain instances.

The Entity has minimal current lease arrangements for photocopy and fax machines over a period of one year, without being subject to escalation. In terms of a Council policy decision, such leased equipment shall be purchased upon termination of the relevant contract. In keeping with this policy, it has been decided to terminate lease agreements in respect of older equipment where the initial period has expired and the lease is continuing on a month-to-month basis. The 2010 comparative amount of R113,07 million has been restated from R158,88 million.

###### The Entity as lessor

Future minimum lease income under non-cancellable operating leases

Receivable within one year	19 727	24 299	21 389	25 838
Receivable within two to five years	67 343	71 126	74 117	77 869
Receivable after five years	321 746	337 690	381 869	399 506
<b>Buildings</b>	<b>408 816</b>	<b>433 115</b>	<b>477 375</b>	<b>503 213</b>

The Entity lets properties under operating leases. Property rental income earned during the year was R25,84 million (2010: R23,97 million). The properties are maintained by the tenants, at their cost. No investment properties have been disposed of since the statement of financial performance date.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase in current-year income of R2,92 million. The 2010 comparative amount of R433,12 million has been restated from R106,72 million due to an enhancement of system applications and classifications.

**45. FINANCIAL RISK MANAGEMENT**

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the Entity's operations. This note presents information about the Entity's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Entity's management of capital. Further quantitative disclosures are included throughout these financial statements.

Council has established a Risk Management Committee, which is responsible for developing and monitoring the Entity's risk management policies. Every quarter, a member of the committee presents reports to the Audit Committee. The Risk Management Committee's policies are established to identify and analyse the risks faced by the Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the Entity's activities.

The accounting policy for financial instruments was applied to the following statement of financial position items:

	Amortised cost R'000	Fair value R'000	Total carrying amount R'000	Carrying amount fair value R'000
<b>Financial assets</b>				
<b>2011</b>				
Investments	161 771	2 096 302	2 258 073	2 279 321
Long-term receivables	134 719	–	134 719	134 719
Trade receivables	3 706 347	–	3 706 347	3 706 347
Other receivables	202 578	–	202 578	202 578
Cash and cash equivalents	1 762 393	1 541 736	3 304 129	3 304 129
	<b>5 967 808</b>	<b>3 638 038</b>	<b>9 605 846</b>	<b>9 627 094</b>
<b>2010</b>				
Investments	291 277	4 076	295 353	328 244
Long-term receivables	136 538	–	136 538	136 538
Trade receivables	3 360 962	–	3 360 962	3 360 962
Other receivables	328 539	–	328 539	328 539
Cash and cash equivalents	3 134 990	1 518 466	4 653 456	4 653 456
	<b>7 252 306</b>	<b>1 522 542</b>	<b>8 774 848</b>	<b>8 807 739</b>
<b>Financial liabilities</b>				
<b>2011</b>				
Long-term borrowings	5 668 294	–	5 668 294	6 260 971
Payables	2 570 332	–	2 570 332	2 570 332
Derivative financial instruments	–	–	–	–
	<b>8 238 626</b>	<b>–</b>	<b>8 238 626</b>	<b>8 831 303</b>
<b>2010</b>				
Long-term borrowings	5 922 245	–	5 922 245	5 950 450
Payables	2 420 590	–	2 420 590	2 420 590
Derivative financial instruments	–	–	–	–
	<b>8 342 835</b>	<b>–</b>	<b>8 342 835</b>	<b>8 371 040</b>



## 45. FINANCIAL RISK MANAGEMENT continued

### 45.1 Fair values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and the levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>Financial assets</b>				
<b>2011</b>				
Investments	–	2 096 302	–	2 096 302
Cash and cash equivalents	–	1 541 736	–	1 541 736
	–	<b>3 638 038</b>	–	<b>3 638 038</b>
<b>2010</b>				
Investments	–	4 076	–	4 076
Cash and cash equivalents	–	1 518 466	–	1 518 466
	–	<b>1 522 542</b>	–	<b>1 522 542</b>

#### Fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

#### Investment at fair value

The fair values of some investments are estimated based on quoted market prices of those or similar investments.

### 45.2 Credit risk

Credit risk is the risk of financial loss to the Entity if customers or counterparties to financial instruments fail to meet their contractual obligations and arises principally from the Entity's investments, loans, trade receivables, and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 30 June was:

	Economic Entity		Municipality of Cape Town	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Investments – see note 6	2 258 073	295 353	2 258 073	295 353
Loans receivable – see note 7	134 719	136 538	134 719	136 538
Trade and other receivables – see notes 9 and 10	3 908 925	3 689 501	3 902 769	3 682 394
Cash and cash equivalents – see note 11	3 304 129	4 653 456	3 151 257	4 511 179
<b>Total</b>	<b>9 605 846</b>	<b>8 774 848</b>	<b>9 446 818</b>	<b>8 625 464</b>

#### Investments

The Entity limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the Entity does not consider there to be any significant exposure to credit risk.

#### Loans receivable

Loans are granted and managed in accordance with policies and regulations as set out in note 7. The associated interest rates and repayments are clearly defined and, where appropriate, the Entity obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances.

**45. FINANCIAL RISK MANAGEMENT continued**

**Trade and other receivables**

Trade and other receivables are amounts owing by consumers, and are presented net of impairment losses. The Entity has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Entity is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Entity's strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households, as well as prepaid electricity meters. In certain instances, a deposit is required for new service connections, serving as a guarantee.

The Entity's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The Entity has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area. The Entity establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables. The outstanding amounts of the ten largest debtors represent 1,2% of the total outstanding balance. The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime plus 1% on any unpaid accounts after due date. The Entity has provided fully for all receivables outstanding over 365 days. Trade receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of trade and other receivables is given in notes 9 and 10.

Consumer debtors with a demonstrative inability to pay are encouraged to apply for potential indigent status as an ongoing customer relationship strategy and also to enable the City to make adequate provision for such relief.

**Cash and cash equivalents**

The Entity limits its exposure to credit risk by investing only with reputable financial institutions that have a sound credit rating and within specific guidelines set out in accordance with Council's approved investment policy. Consequently, the Entity does not consider there to be any significant exposure to credit risk.

**45.3 Liquidity risk**

Liquidity risk is the risk that the Entity will not be able to meet its obligations as they fall due. The Entity's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Entity's reputation.

The Entity ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

On average 93,88% of trade and other receivables (own billed) income is realised within 30 days after due date, and trade payables are settled within 30 days of invoice. National and provincial grant funding is received in terms of the Division of Revenue Act (DORA).

The following are contractual liabilities of which interest is included in borrowings:

	<b>Up to 1 year R'000</b>	<b>1 – 5 years R'000</b>	<b>&gt;5 years R'000</b>	<b>Total R'000</b>
2011				
Liabilities				
Borrowings	931 961	3 017 371	8 887 709	12 837 041
Capital repayments	306 896	633 342	4 728 056	5 668 294
Interest	625 065	2 384 029	4 159 653	7 168 747
Trade and other payables	2 570 332	–	–	2 570 332
Trade payables	2 170 658	–	–	2 170 658
Sundry creditors	399 674	–	–	399 674
	<b>3 502 293</b>	<b>3 017 371</b>	<b>8 887 709</b>	<b>15 407 373</b>

**45.4 Capital management**

The primary objective of managing the Entity's capital is to ensure that there is sufficient cash available to support the Entity's funding requirement, including capital expenditure, to ensure that the Entity remains in a financially sound position.

The Entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. In a capital-intensive industry, a gearing ratio of 50% or less can be considered reasonable. Included within net debt is interest-bearing loans and borrowings, trade and other payables, less investments.

**45.5 Currency risk**

The Entity is exposed to foreign-currency risk through the importation of goods and services, either directly or indirectly, through the award of contracts to local importers. The Entity manages any material direct exposure to foreign-currency risk by entering into forward exchange contracts. The Entity manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement, in order to predetermine the rand value of the contracted goods or services. The Entity was not a direct party to any outstanding forward exchange contracts at the reporting date. The movement in the currency was not material to the Entity's procurement, and, consequently is not elaborated on any further.

#### 45. FINANCIAL RISK MANAGEMENT continued

##### Market risk

Market risk is the risk that changes in market prices, such as foreign-exchange rates and interest rates, will affect the Entity's income, or the value of its financial instruments' holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

The effective rates on financial instruments as at 30 June 2011 are as follows:

	Maturity of interest-bearing assets/liabilities				Total R'000
	Weighted interest rate %	1 year or less R'000	1 – 5 years R'000	>5 years R'000	
<b>Financial assets</b>					
Investments	6,484	2 146 596	47 822	63 655	2 258 073
Cash and cash equivalents	5,821	3 304 129	–	–	3 304 129
<b>Total financial assets</b>		<b>5 450 725</b>	<b>47 822</b>	<b>63 655</b>	<b>5 562 202</b>
<b>Financial liabilities</b>					
Loans	11,350	240 615	633 342	4 728 056	5 602 013
Finance leases	14,530	66 281	–	–	66 281
<b>Total financial liabilities</b>		<b>306 896</b>	<b>633 342</b>	<b>4 728 056</b>	<b>5 668 294</b>

##### Interest rate sensitivity analysis

###### Financial assets

At 30 June 2011, if the weighted interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair-value impact on the statement of financial performance would have been R51,4 million, with the opposite effect if the interest rate had been 100 basis points lower.

###### Financial liabilities

At 30 June 2011, if the interest rate at that date had been 100 basis points higher, with all the other variables held constant, the fair-value liability would have no significant impact (R27 655), with the opposite effect if the interest rate had been 100 basis points lower.

#### 46. PRIOR-YEAR ADJUSTMENTS

##### 46.1 Changes in accounting policy

In anticipation of the implementation of GRAP 104, the City amended its accounting policies to bring them in line with the accounting standards which had not yet become effective. This resulted in the restatement of the concessionary loan amounts. The previously binding IFRS 7 accounting standard had not addressed the treatment of concessionary loans.

##### 46.2 Reclassification

The City reclassified the disclosure of its financial instruments in accordance with the principles of the anticipated implementation of GRAP 104 between cost, amortised cost and fair value.

In addition, the unwinding of any rehabilitation discounts has been reclassified as interest cost; the fuel levy previously disclosed as grants received has now been reclassified for separate disclosure, and the basis for the disclosure of expenditure on repairs and maintenance and grants has changed.

Repairs and maintenance have been reclassified as contracted services and general expenses in order to disclose the nature of the expense.

##### 46.3 Correction of errors

Bulk water purchases in the previous financial year have been corrected due to the refunding of amounts overpaid.

The smoothing of lease payments over the duration of the leases for disclosure has been refined due to further estimates and assumptions, and the note was adjusted due to contracts not included in the 2010 figures.

Adjustment due to the cancellation of property sales previously derecognised.

Non-compliance with supply chain management regulations discovered in the current financial year relating to tenders awarded in the prior year.

An adjustment was passed in order to split the bad debt impairment provision between operating contribution and the VAT liability.

Omission of accrued amounts due to employees for annual remuneration.

	R'000
<b>Summarised as follows:</b>	
Overcharged bulk water purchase	30 876
Income receipted recognised in wrong financial year	(16 564)
Lease-smoothing adjustment	41 701
Reversal of derecognition of property sales	(1 604)
Understatement of salary accrual	(12 448)
Understatement of sundry expenses	(6 585)
Adjustment VAT liability	6 579
<b>For Entity</b>	<b>41 955</b>
Understatement of sundry expenses	890
<b>For Municipality of Cape Town</b>	<b>42 845</b>

# Notes to the consolidated financial statements for the year ended 30 June 2011

## 46. PRIOR-YEAR ADJUSTMENTS continued

Presented below are only those items contained in the statement of financial position and the statement of financial performance that have been affected by the prior-year adjustments and the cash flow statement was adjusted accordingly.

Note	As previously reported R'000	Changes in accounting policy R'000	Reclassification R'000	Correction of errors R'000	Restated R'000
<b>2009</b>					
<b>Statement of financial position</b>					
Property, plant and equipment	1	16 523 308	–	(1 034)	16 522 274
Investments	6	197 375	–	46 843	244 218
Other receivables	10	455 989	–	(47 418)	408 571
Cash and cash equivalents	11	2 757 951	–	575	2 758 526
Long-term borrowings	12	3 831 465	(7 988)	22 463	3 845 940
Payables	16	2 857 695	–	(22 463)	2 835 232
VAT	19	145 302	–	(155 108)	9 806
Minority interest	20.2	127 072	–	(515)	126 557
Accumulated surplus	21	10 346 931	7 988	154 589	10 509 508
<b>2010</b>					
<b>Statement of financial performance</b>					
<b>Exchange revenue</b>					
Rental of letting stock and facilities	23	243 468	–	23 555	267 023
Other income	25	267 640	–	24	267 664
Gains on disposal of property, plant and equipment	–	79 142	–	(22)	79 120
<b>Non-exchange revenue</b>					
Fuel levy	–	–	–	1 371 610	1 371 610
Government grants and subsidies	27	4 491 668	–	(1 371 610)	3 120 058
Total revenue		18 684 996	–	23 557	18 708 553
Employee-related costs	29	5 619 692	–	12 604	5 632 296
Impairment costs	31	690 956	–	(6 579)	684 377
Depreciation and amortisation expenses	32	1 011 747	–	171	1 011 918
Finance cost	33	601 733	1 181	42 513	645 427
Bulk purchases	34	3 667 765	–	(30 876)	3 636 889
Repairs and maintenance	–	839 677	–	(7 303)	–
Contracted services	–	1 126 102	–	832 374	1 965 717
General expenses	36	2 649 881	–	(35 915)	2 613 966
Total expenditure		16 557 714	1 181	(18 144)	16 540 751
Taxation		5 710	–	(171)	5 539
Non-controlling interest		7 100	–	(53)	7 047
Surplus for the year		2 114 472	(1 181)	41 925	2 155 216
<b>Statement of financial position</b>					
Property, plant and equipment	1	20 135 339	–	(1 607)	20 133 732
Investment property	3	87 082	–	(22)	87 060
Other receivables	10	303 161	–	(29 629)	329 545
Investments	6	55 800	–	4 076	59 876
Cash and cash equivalents	11	4 628 453	–	25 003	4 653 456
Long-term borrowings	12	5 566 231	–	(6 585)	5 559 646
Deferred taxation	37	9 684	–	(444)	9 240
VAT	18	212 848	–	(161 687)	51 161
Payables	16	3 163 040	–	(91 907)	3 084 475
Taxation	–	3 297	–	(130)	3 167
Current portion of long-term borrowing	12	264 107	–	98 492	362 599
Non-controlling interest	20.2	134 172	–	(568)	133 604
Accumulated surplus	21	12 378 240	–	(550)	12 581 561

### 46.4 Changes in accounting estimates

The estimate for fines issued in the financial year that will only be paid after the financial year-end has been revised due to more accurate information having been made available by the service provider. Due to the revised estimate, the accrual increased by R20,75 million.

## 47. RETIREMENT BENEFIT INFORMATION

The City of Cape Town makes provision for post-retirement benefits to eligible councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act (Act 24 of 1956) and include both defined-benefit (DB) and defined-contribution (DC) schemes. Contributions of R595,91 million (2010: R510,38 million) to the DB and DC structures are expensed as incurred during the year under review.

These schemes are subject to a triannual, biannual or annual actuarial valuation, as set out below.

### 47.1 Defined-benefit schemes

#### Cape Joint Pension Fund (multi-employer fund)

The DB section is a multi-employer plan and the contribution rate payable is 27%, i.e. 9% by the members and 18% by their councils. The fund was certified by the actuary as being in a sound financial condition as at 30 June 2010. The valuation indicates a break-even actuarial result, and is 100% funded at the financial year-end. The City is included among the local authorities that contribute to the Cape Joint Pension Fund. Included in the rules of the Fund is a proviso that the assets provide a minimum return of 5,5% per annum, failing which the local authorities associated with the Fund are required to fund the shortfall in direct proportion to the level of contributions made. As at the date of the financial statements, an assessment of the performance of the Fund's assets for the 2011 year had not been completed. Should the return of the assets be less than 5,5%, the City could be liable for its portion of the shortfall in terms of the rules of the Fund. The City is currently engaged in a dispute that relates to a shortfall in the return of the fund assets, as contemplated above, during the 2008 and 2009 financial years, for an amount of R96 million and interest of R20,4 million. A provision of R96 million has been included in "Other provisions" in note 15.

#### South African Local Authorities (SALA) Pension Fund (multi-employer fund)

The fund is a DB plan and is financially sound. It was 96% funded as at 1 July 2010 and had remained stable since the previous valuation date.

### 47.2 Defined-contribution schemes

#### Cape Joint Pension Fund (multi-employer fund)

This scheme was established to accommodate the unique characteristics of contract employees and cost-to-company employees. All existing members were given the option to transfer to the DC plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed-bonus philosophy and given normal circumstances. The fund was certified by the actuary as being in a sound financial condition as at 30 June 2010. The valuation disclosed funding of 102%.

#### Cape Retirement Fund for Local Authorities (multi-employer fund)

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund, a DC plan, as being in a sound financial position as at 30 June 2010.

#### Municipal Councillors' Pension Fund (multi-employer fund)

The Municipal Councillors' Pension Fund operates as a DC scheme. The contribution rate paid by the members (13,75%) and their councils (15%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was undertaken at 30 June 2009.

#### National Fund for Municipal Workers (multi-employer fund)

The retirement and pension funds are both DC schemes. The last voluntary actuarial valuation of the fund was performed on 30 June 2008. As at 30 June 2008 the valuation disclosed funding of 100%.

#### South African Municipal Workers Union (SAMWU) National Provident Fund (multi-employer fund)

The SAMWU National Provident Fund is a DC scheme. The last actuarial valuation of the fund was performed at 30 June 2005, when the fund was certified as being in a financially sound position. A statutory valuation will be performed based on the 30 June 2008 audited financial statements, once it becomes available.

#### Cape Town International Convention Centre Company (Pty) Ltd Provident Fund

The provident fund operates as a DC scheme. The Economic Entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current or prior periods. The Economic Entity has no payment obligation once the contribution has been paid.

**47. RETIREMENT BENEFIT INFORMATION continued**

**47.3 Defined-benefit and defined-contribution scheme**

**Cape Municipal Pension Fund**

The Cape Municipal Pension Fund operates both as a DB and DC scheme. The actuarial valuation of the fund was performed at 30 June 2010, which certified it as being in a financially sound position. The next statutory valuation is due by 30 June 2012.

	Total	DB section	DC section
In-service members	8 425	348	8 077
Pensioners	5 336	4 217	1 119
Membership as at 30 June 2010	13 761	4 565	9 196

	2011	2010
	R'million	R'million
Past-service position – DB section	3 420	3 269
Past-service position – DC section	5 001	4 349
Total liabilities	8 421	7 618
Assets valued at market value	8 550	7 721

	2011	2010
	%	%
Actual employer contribution – DB section	20,25	20,25
Actual employer contribution – DC section	18,00	18,00
Net discount rate: Pre-retirement	0,50	1,00
Post-retirement	2,50	2,50
Normal retirement age	60 years	60 years

**Key financial assumptions**

Actual employer contribution – DB section	20,25	20,25
Actual employer contribution – DC section	18,00	18,00
Net discount rate: Pre-retirement	0,50	1,00
Post-retirement	2,50	2,50
Normal retirement age	60 years	60 years

**47.4 Post-employment defined benefits**

For past service of in-service and retired employees, the Entity recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis, using the projected unit credit method.

The members of medical aid schemes entitled to a post-employment medical scheme subsidy as at 30 June 2011, constituted 10 884 (2010: 11 486) in-service members and 6 469 (2010: 6 511) pensioners.

**47.4.1 Health-care arrangement assumptions**

It was assumed that the employer's health-care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits and contributions would remain unchanged, with the exception of inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidisation from in-service members to retiree members within the medical scheme are sustainable and will continue.

It is further assumed that the subsidy will continue until the last survivor's death for eligible members and their spouses, and to age 21, if earlier, for dependent children.

**Continuation of membership**

It is assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the City of Cape Town will remain on the employer's health-care arrangements.

**Family profile**

Family profile was based on actual data and, therefore, no assumptions had to be made.

**Plan assets**

Currently, no long-term assets are set aside off balance sheet in respect of the employer's post-employment health-care liability.

**Discount rate**

The fund benefit liability to the City of Cape Town as at 30 June 2011 has been discounted at a rate determined on the basis of the yield of 8,69% per annum on government bonds.



# Notes to the consolidated financial statements for the year ended 30 June 2011

## 47. RETIREMENT BENEFIT INFORMATION continued

### 47.4.2 Retirement pension benefits

For past service of employees and retired employees, the Entity recognises and provides for the actuarially determined present value of post-retirement revenue pensions on an accrual basis, using the projected unit credit method.

The number of employees who were eligible for a post-retirement pension at 30 June 2011 was 44 (2010: 45) in-service employees and 135 (2010: 140) pensioners.

#### Plan assets

Currently, no long-term assets are set aside off balance sheet in respect of the employer's post-employment retirement pension liability.

#### Discount rate

The fund benefit liability to the City of Cape Town as at 30 June 2011 has been discounted at an 8,36% per-annum rate determined on the basis of the market yields on government bonds.

#### Post-retirement scheme defined-benefit obligations

	2011			2010		
	Health-care benefits R'000	Retirement pension benefits R'000	Total R'000	Health-care benefits R'000	Retirement pension benefits R'000	Total R'000
Present value of unfunded liability	2 905 696	14 921	2 920 617	2 725 739	15 676	2 741 415
Unrecognised actuarial gains/(losses)	77 197	2 876	80 073	(225 585)	(461)	(226 046)
Net liability in statement of financial position	2 982 893	17 797	3 000 690	2 500 154	15 215	2 515 369
Service costs	50 846	1 401	52 247	51 429	391	51 820
Interest costs	243 681	428	244 109	222 090	1 463	223 553
Actuarial losses recognised	302 782	2 360	305 142	237 458	25	237 483
Total included in statement of financial performance	597 309	4 189	601 498	510 977	1 879	512 856
Balance at the beginning of the year	2 500 154	15 215	2 515 369	2 090 227	14 703	2 104 930
Net expense recognised in statement of financial performance	597 309	4 189	601 498	510 977	1 879	512 856
Contributions paid	(114 570)	(1 607)	(116 177)	(101 050)	(1 367)	(102 417)
Net liability in statement of financial position	2 982 893	17 797	3 000 690	2 500 154	15 215	2 515 369

The contributions paid are actual contributions paid by the Entity, and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary and actual contributions paid to members by the Entity.

#### Sensitivity analysis

Post-retirement medical aid	Change in assumption R'000	Liability R'000	Percentage change %	Service cost R'000	Percentage change %
Assumptions used	–	2 982 893		50 486	
Health-care inflation	{ +1% increase	3 468 639	16	62 879	25
	{ -1% decrease	2 588 479	(13)	41 448	(18)
Post-retirement mortality	-1-year reduction	3 091 752	4	–	–
Average retirement age	-1% decrease	3 091 392	4	–	–
Withdrawal rate	(50%)	3 098 426	4	–	–

#### Key financial assumptions

	2011		2010	
	Health-care benefits %	Retirement pension benefits %	Health-care benefits %	Retirement pension benefits %
Discount rate	8,7	8,4	8,9	8,9
General inflation rate (CPI)	5,7	5,6	5,3	5,3
General salary inflation rate	–	6,6	–	6,3
Health-care cost inflation rate	7,4	–	7,3	–
Net effective discount rate	1,2	–	1,5	2,4
Pension increase rate – pensioners	–	–	–	2,6
Net effective discount rate – pensioners	–	–	–	6,1

**48. GUARANTEES AND CONTINGENT LIABILITY**

**48.1 Guarantees**

The Entity issued a bank guarantee of R823 446 (2010: R346 727) as security for the lease of property.

**48.2 Other contingent liabilities**

**Contractual disputes**

Various contractual claims by contractors/suppliers and staff are currently in dispute, and are subject to mediation. The maximum potential liability is estimated at R401,34 million (2010: R218,29 million). Included in the total estimate of R401,34 million is a disputed amount of R250,78 million, of which R210,78 million is in respect of professional fees on the construction of Cape Town Stadium and the balance of R40 million for litigation costs. The Entity had provided R270 million in its 2010/11 budget to cover these costs. The Entity and its lawyers are of the opinion that the litigation is likely to be in the Entity's favour. The timing of the legal proceedings regulating the above is, however, uncertain.

**Outstanding insurance claims**

The estimated liability for insurance claims amounts to R86,37 million (2010: R68,95 million). The estimated amount was based on quotations, medical reports and letters of demand received. The merits must still be determined and could result in a lesser or greater amount.

**49. RELATED-PARTY DISCLOSURES**

During the year, in the ordinary course of business, transactions between the City and the following entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's-length transactions.

Economic Entity		Municipality of Cape Town	
2011	2010	2011	2010
R'000	R'000	R'000	R'000

**Cape Town International Convention Centre (Pty) Ltd (Convenco)**

The Convention Centre was established for Cape Town to become host to international conferences, with the objective of promoting Cape Town as a tourism city. At year-end, the amount owing by Convenco to the City amounted to R2,77 million (2010: R0,45 million).

Percentage owned		50,18%	50,18%
Arm's-length transactions for the year			
Receivables		2 766	448
Service charges		15 997	11 795

Cape Town International Convention Centre (Pty) Ltd has outsourced the management of its operating division previously to Amsterdam RAI which had terminated on 30 June 2010. Amsterdam RAI currently provides the services of international management and marketing support.

Arm's-length transactions for the year			
Fixed management fees	973	2 642	–
Basic management fees	–	695	–
Incentive fee	–	5 968	–

**City improvement districts (CIDs)**

These entities were established to enable projects at local communities' initiative, to provide services over and above the services provided by the City of Cape Town.

**Special rating areas**

Percentage owned			
Arm's-length transactions for the year			
Receivables		(2)	–
Service charges		22	16
Levies		78 967	66 648

**Cape Metropolitan Transport Fund (CMTF)**

The fund was established to pool funds for road networks and maintenance in the metropolitan area. At year-end, the amount owing by the City to Cape Metropolitan Transport Fund amounted to R76,49 million (2010: R90,91 million).

**Administrator**

Percentage owned			
Arm's-length transactions for the year			
Funds held on behalf of CMTF	76 488	90 907	76 488
Grants and transfers received	32 824	90 138	32 824
Interest paid	5 055	10 082	5 055
Revenue collected	4 080	5 205	4 080

**49. RELATED-PARTY DISCLOSURES continued**

Economic Entity		Municipality of Cape Town	
2011	2010	2011	2010
R'000	R'000	R'000	R'000

**Epping City improvement district**

A director and member of key management is also the sole member of Just For You Business Support Services CC.

Arm's-length transactions for the year:

Just For You Business Support Services CC	784	708	-	-
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**Khayelitsha Community Trust (KCT)**

KCT was established to promote economic activities for the upliftment of the local community. At year-end, the amount owing by KCT to the City amounted to R1,22 million (2010: R1,18 million).

Trust			
-------	--	--	--

Arm's-length transactions for the year

Receivables	1 104	1 183	1 104	1 183
Grants	5 104	6 866	5 104	6 866

**Councillors**

Councillors of the City could hold positions in other entities, where they have significant influence over the financial or operating policies of these entities. The following is considered to be such an entity:

Councillor	Position held in entity	Entity	Nature
Neilson, I	Alternate director	SA Cities Network	Knowledge and resource centre

**Executive management**

No business transactions took place between the Entity and key management personnel or their close family members during the year under review. Details relating to remuneration are disclosed in note 29.

**50. EVENTS AFTER REPORTING DATE**

The council of the City of Cape Town, at its meeting of 22 June 2011, resolved to relinquish effective control of the municipal entity Khayelitsha Community Trust (KCT) as at 30 June 2011. KCT is accordingly no longer a municipal entity, and the City is no longer the parent municipality, in terms of local government legislation, and KCT will no longer be treated as a related party in the financial statements. The City will, however, still support KCT through grant funding in accordance with section 67 of the Municipal Finance Management Act.

# Appendix A: Schedule of external loans as at 30 June 2011

	Effective interest rate (nacs) %	Loan ID	Redeemable date	Balance as at 30 June 2010 R'000	Received during the year R'000	Capitalised during the year R'000	Net interest accrual during the year R'000	Transfers during the year R'000	Redeemed/ Written off during the year R'000	Balance as at 30 June 2011 R'000
<b>LOCAL REGISTERED STOCK</b>										
ABSA Investor Services	14,650	830011508	2014	7 047	-	-	-	-	-	7 047
Municipal Bond CCT01	12,570	830014004	2023	1 002 748	-	-	-	-	-	1 002 748
Municipal Bond CCT02	11,615	830016003	2024	1 207 236	-	-	-	-	-	1 207 236
Municipal Bond CCT03	11,160	830017007	2025	2 065 862	-	-	(357)	-	-	2 065 505
Municipal Bond Transaction costs	-	-	-	(3 916)	-	-	-	-	(283)	(3 633)
<b>Total local registered stock</b>				<b>4 278 977</b>	<b>-</b>	<b>-</b>	<b>(357)</b>	<b>-</b>	<b>(283)</b>	<b>4 278 903</b>
<b>CONCESSIONARY LOANS</b>										
Nedcor Bank	1,000	830000920	2019	12	-	-	-	2	-	14
DBSA	5,000	830012028	2020	33 231	-	-	-	1 112	4 000	30 343
<b>Total annuity loans</b>				<b>33 243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 114</b>	<b>4 000</b>	<b>30 357</b>
<b>OTHER LOANS</b>										
FirstRand Bank	12,616	830001710	2011	19 931	-	-	-	-	19 931	-
FirstRand Bank	12,920	830000880	2013	59 336	-	-	-	-	17 693	41 643
DBSA	12,250	83001051	2015	129 888	-	-	-	-	25 978	103 910
FirstRand Bank	12,631	830003504	2017	189 299	-	-	-	-	6 031	183 268
ABSA Bank	10,900	830007011	2018	160 000	-	-	-	-	20 000	140 000
DBSA	10,590	83001050	2018	271 329	-	-	-	-	33 916	237 413
FirstRand Bank	12,046	830009531	2018	187 827	-	-	8 919	-	20 000	176 746
DBSA	9,420	830012035	2020	93 333	-	-	-	-	9 333	84 000
DBSA	9,639	830013000	2022	166 667	-	-	-	-	13 333	153 334
DBSA	10,565	830013507	2022	166 667	-	-	-	-	13 333	153 334
<b>Total other loans</b>				<b>1 444 277</b>	<b>-</b>	<b>-</b>	<b>8 919</b>	<b>-</b>	<b>179 548</b>	<b>1 273 648</b>
<b>FINANCE LEASES</b>										
Investec	14,343	830000870	2011	12 014	-	-	-	-	7 730	4 284
Standard Corporate and Investment Bank	15,209	830000890	2011	69 898	-	-	(177)	-	69 721	-
Nedbank	14,540	830000860	2012	64 107	-	-	(103)	-	2 007	61 997
<b>Total finance leases</b>				<b>146 019</b>	<b>-</b>	<b>-</b>	<b>(280)</b>	<b>-</b>	<b>79 458</b>	<b>66 281</b>
<b>Total Municipality of Cape Town</b>				<b>5 902 516</b>	<b>-</b>	<b>-</b>	<b>8 282</b>	<b>1 114</b>	<b>262 723</b>	<b>5 649 189</b>
<b>CONTROLLED ENTITIES</b>										
CID Claremont Road Co.: DBSA	-	-	2011	19 465	-	-	-	-	844	18 621
CID Epping	-	-	2012	264	335	-	-	-	115	484
<b>Total controlled entities</b>				<b>19 729</b>	<b>335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>959</b>	<b>19 105</b>
<b>Total external loans</b>				<b>5 922 245</b>	<b>335</b>	<b>-</b>	<b>8 282</b>	<b>1 114</b>	<b>263 682</b>	<b>5 668 294</b>

## Appendix B: Analysis of property, plant and equipment as at 30 June 2011

	Cost				
	Opening balance	Transfers/ Adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>LAND AND BUILDINGS</b>					
Land	619 681	1 862	36 766	(241)	658 068
Buildings and land	2 981 840	80 094	88 526	(1 823)	3 148 637
	<b>3 601 521</b>	<b>81 956</b>	<b>125 292</b>	<b>(2 064)</b>	<b>3 806 705</b>
<b>INFRASTRUCTURE</b>					
Assets under construction	3 029 840	(1 874 849)	904 803	–	2 059 794
Drains	491 151	65 350	11 115	–	567 616
Roads	3 908 336	887 463	280 333	–	5 076 132
Beach improvements	27 405	8 686	171	–	36 262
Sewerage mains and purification	1 362 264	666 441	104 521	–	2 133 226
Electricity peak-load equipment and mains	3 949 158	156 626	521 355	(17 361)	4 609 778
Water mains and purification	1 982 594	130 942	9 473	–	2 123 009
Reservoirs – water	397 186	46 587	1 110	–	444 883
	<b>15 147 934</b>	<b>87 246</b>	<b>1 832 881</b>	<b>(17 361)</b>	<b>17 050 700</b>
<b>COMMUNITY ASSETS</b>					
Assets under construction	258 122	(184 142)	74 943	–	148 923
Parks and gardens	31 670	15 905	955	–	48 530
Libraries	175 785	9 348	11 876	–	197 009
Recreation facilities	4 343 963	7 528	62 706	–	4 414 197
Civic buildings	661 736	322 066	65 534	–	1 049 336
	<b>5 471 276</b>	<b>170 705</b>	<b>216 014</b>	<b>–</b>	<b>5 857 995</b>
<b>LEASED ASSETS</b>					
Infrastructure and other	398 121	(163 413)	–	(338)	234 370
	<b>398 121</b>	<b>(163 413)</b>	<b>–</b>	<b>(338)</b>	<b>234 370</b>
<b>OTHER ASSETS</b>					
Assets under construction	523 459	(336 634)	360 422	–	547 247
Landfill sites	514 044	45 516	31 970	(31 745)	559 785
Furniture, fittings and equipment	423 667	29 057	58 974	(16 156)	495 542
Bins and containers	34 793	978	16 243	(784)	51 230
Emergency equipment	33 716	540	1 323	(678)	34 901
Motor vehicles and watercraft	1 057 967	32 658	87 848	(20 568)	1 157 905
Specialised vehicles	657 427	2 470	40 422	(9 366)	690 953
Computer equipment	892 052	24 987	101 986	(21 574)	997 451
Animals	214	–	28	–	242
	<b>4 137 339</b>	<b>(200 428)</b>	<b>699 216</b>	<b>(100 871)</b>	<b>4 535 256</b>
<b>HOUSING RENTAL STOCK</b>	<b>1 152 883</b>	7 731	11 621	<b>(6 361)</b>	<b>1 165 874</b>
<b>TOTAL</b>	<b>29 909 074</b>	<b>(16 203)</b>	<b>2 885 024</b>	<b>(126 995)</b>	<b>32 650 900</b>
<b>HERITAGE ASSETS</b>					
Assets under construction	1 660	(9)	1 901	–	<b>3 552</b>
Paintings and art galleries	8 342	–	30	(10)	<b>8 362</b>
	<b>10 002</b>	<b>(9)</b>	<b>1 931</b>	<b>(10)</b>	<b>11 914</b>
<b>INVESTMENT PROPERTIES</b>	<b>129 593</b>	1 019	–	–	<b>130 612</b>
<b>INTANGIBLE ASSETS</b>	<b>303 709</b>	14 875	8 393	–	<b>326 977</b>
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>89</b>	315	–	(1)	<b>403</b>
<b>TOTAL</b>	<b>30 352 467</b>	<b>(3)</b>	<b>2 895 348</b>	<b>(127 006)</b>	<b>33 120 806</b>

# Economic Entity

	Accumulated depreciation						
	Opening balance	Transfers/ Adjustments	Impairment	Additions	Disposals	Closing balance	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	(224 088)	(1)	(9 866)	-	-	(233 955)	424 113
	(1 554 024)	120 651	-	(91 825)	1 669	(1 523 529)	1 625 108
	<b>(1 778 112)</b>	<b>120 650</b>	<b>(9 866)</b>	<b>(91 825)</b>	<b>1 669</b>	<b>(1 757 484)</b>	<b>2 049 221</b>
	-	-	-	-	-	-	2 059 794
	(203 004)	-	-	(16 293)	-	(219 297)	348 319
	(1 569 813)	-	-	(112 849)	-	(1 682 662)	3 393 470
	(18 248)	-	-	(431)	-	(18 679)	17 583
	(446 280)	(82 478)	-	(87 990)	-	(616 748)	1 516 478
	(1 439 717)	(42 605)	-	(170 477)	17 360	(1 635 439)	2 974 339
	(949 989)	(83)	-	(71 462)	-	(1 021 534)	1 101 475
	(261 566)	-	-	(16 367)	-	(277 933)	166 950
	<b>(4 888 617)</b>	<b>(125 166)</b>	<b>-</b>	<b>(475 869)</b>	<b>17 360</b>	<b>(5 472 292)</b>	<b>11 578 408</b>
	-	-	-	-	-	-	148 923
	(4 383)	-	-	(1 272)	-	(5 655)	42 875
	(51 288)	-	-	(3 162)	-	(54 450)	142 559
	(137 435)	-	-	(201 912)	-	(339 347)	4 074 850
	(235 300)	(124 888)	-	(25 985)	-	(386 173)	663 163
	<b>(428 406)</b>	<b>(124 888)</b>	<b>-</b>	<b>(232 331)</b>	<b>-</b>	<b>(785 625)</b>	<b>5 072 370</b>
	(284 386)	128 458	-	(13 188)	338	(168 778)	65 592
	<b>(284 386)</b>	<b>128 458</b>	<b>-</b>	<b>(13 188)</b>	<b>338</b>	<b>(168 778)</b>	<b>65 592</b>
	-	1	(16 092)	-	-	(16 091)	531 156
	(196 655)	-	-	(52 061)	( 7 439)	(256 155)	303 630
	(232 827)	982	-	(52 065)	14 580	(269 330)	226 212
	(29 186)	(2)	-	(4 416)	673	(32 931)	18 299
	(20 977)	6	-	(4 471)	648	(24 794)	10 107
	(523 570)	2 532	-	(145 683)	17 878	(648 843)	509 062
	(288 575)	(1 602)	-	(50 224)	10 089	(330 312)	360 641
	(572 586)	(345)	-	(122 045)	20 815	(674 161)	323 290
	(19)	-	-	(37)	-	(56)	186
	<b>(1 864 395)</b>	<b>1 572</b>	<b>(16 092)</b>	<b>(431 002)</b>	<b>57 244</b>	<b>(2 252 673)</b>	<b>2 282 583</b>
	<b>(531 426)</b>	1	-	(26 662)	3 759	<b>(554 328)</b>	<b>611 546</b>
	<b>(9 775 342)</b>	<b>627</b>	<b>(25 958)</b>	<b>(1 270 877)</b>	<b>80 370</b>	<b>(10 991 180)</b>	<b>21 659 720</b>
	-	-	-	-	-	-	3 552
	-	-	-	-	-	-	8 362
	-	-	-	-	-	-	<b>11 914</b>
	<b>(42 533)</b>	(482)	-	(2 598)	-	<b>(45 613)</b>	<b>84 999</b>
	<b>(272 000)</b>	114	-	(10 207)	-	<b>(282 093)</b>	<b>44 884</b>
	<b>(23)</b>	(254)	-	-	-	<b>(277)</b>	<b>126</b>
	<b>(10 089 898)</b>	<b>5</b>	<b>(25 958)</b>	<b>(1 283 682)</b>	<b>80 370</b>	<b>(11 319 163)</b>	<b>21 801 643</b>



# Appendix C: Segmental statement of financial performance for the year ended 30 June 2011

2010				BUSINESS UNITS	2011			
Actual income	Actual expenditure	Actual surplus/ (deficit)	Budgeted surplus/ (deficit)		Actual income	Actual expenditure	Actual surplus/ (deficit)	Budgeted surplus/ (deficit)
R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000
<b>11 180 451</b>	<b>9 793 468</b>	<b>1 386 983</b>	<b>1 115 357</b>	<b>Rates and general</b>	<b>11 557 372</b>	<b>10 589 117</b>	<b>968 255</b>	<b>846 573</b>
2 774	11 914	(9 140)	(9 618)	Executive and Council	5 283	34 752	(29 469)	(39 907)
7 711 404	2 121 163	5 590 241	5 416 016	Budget and Treasury Office	8 817 012	2 367 400	6 449 612	5 934 409
334 445	711 460	(377 015)	(195 546)	Corporate services	228 387	784 401	(556 014)	(124 853)
138 568	494 155	(355 587)	(333 848)	Planning and development	154 306	529 788	(375 482)	(372 394)
265 626	640 685	(375 059)	(382 078)	Health	320 160	725 869	(405 709)	(431 411)
76 064	522 921	(446 857)	(453 317)	Community and social services	78 926	574 382	(495 456)	(500 195)
237 768	1 614 519	(1 376 751)	(1 471 563)	Public safety	253 718	1 671 642	(1 417 924)	(1 553 791)
621 928	1 395 393	(773 465)	(714 791)	Sport and recreation	200 057	1 453 551	(1 253 494)	(1 379 502)
17 953	155 805	(137 852)	(131 586)	Environmental protection	24 040	184 906	(160 866)	(154 617)
1 100 193	1 210 899	(110 706)	(330 941)	Road transport	771 696	1 428 163	(656 467)	(417 070)
3 557	58 811	(55 254)	(57 300)	Tourism	2 141	60 463	(58 322)	(57 110)
670 171	855 743	(185 572)	(220 071)	Housing	701 646	773 800	(72 154)	(56 986)
<b>11 747 172</b>	<b>10 986 893</b>	<b>760 279</b>	<b>635 032</b>	<b>Utility services</b>	<b>13 712 416</b>	<b>12 948 489</b>	<b>763 927</b>	<b>936 684</b>
1 496 152	1 395 809	100 343	71 292	Waste management	1 814 046	1 703 605	110 441	51 991
1 482 127	1 394 275	87 852	154 900	Wastewater management	1 513 986	1 553 237	(39 251)	55 368
2 442 462	2 460 939	(18 477)	(63 587)	Water	2 856 865	2 988 188	(131 323)	(3 719)
6 326 431	5 735 870	590 561	472 427	Electricity	7 527 519	6 703 459	824 060	833 044
<b>222 950</b>	<b>202 410</b>	<b>20 540</b>	<b>15 185</b>	<b>Subsidiaries</b>	<b>238 910</b>	<b>230 837</b>	<b>8 073</b>	<b>7 195</b>
151 539	131 849	19 690	15 185	Cape Town International Convention Centre (Pty) Ltd	155 163	151 064	4 099	7 195
71 411	70 561	850	–	City improvement districts	83 747	79 773	3 974	–
<b>23 150 573</b>	<b>20 982 771</b>	<b>2 167 802</b>	<b>1 765 574</b>	Subtotal	<b>25 508 698</b>	<b>23 768 443</b>	<b>1 740 255</b>	<b>1 790 452</b>
4 442 020	4 442 020	–	–	Interdepartmental charges	4 984 088	4 984 088	–	–
<b>18 708 553</b>	<b>16 540 751</b>	<b>2 167 802</b>	<b>1 765 574</b>	<b>Total Economic Entity before taxation</b>	<b>20 524 610</b>	<b>18 784 355</b>	<b>1 740 255</b>	<b>1 790 452</b>



# Appendix D: Disclosure of grants and subsidies in terms of section 123 of the MFMA

Description	Source	Balance unspent at the beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met – transferred to revenue		Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met – transferred to liabilities R'000
					Operating R'000	Capital R'000			
<b>National Government</b>									
2010 FIFA World Cup™: Green Point	Sport and Recreation	(93 555)	–	–	27 780	57 997	(2 410)	–	(10 188)
Accreditation: Development Support	Human Settlements	(3 386)	–	–	227	64	–	–	(3 095)
Budget Reform Funds	National Treasury	(2 025)	(1 000)	–	832	1 777	–	–	(416)
Department of Environmental Affairs and Tourism	Environmental Affairs	(15 114)	(9 453)	7 863	13 426	6	(584)	–	(3 856)
INEP	Energy	(11)	(7 018)	–	–	4 434	–	–	(2 595)
Energy efficiency electricity demand-side management	Energy	(990)	(17 544)	–	–	17 010	–	–	(1 524)
Health and hygiene education: Informal settlement	Water	(370)	–	–	312	–	–	–	(58)
ICLEI World Congress (B)	Environmental Affairs	(6)	–	–	–	–	–	–	(6)
Khayelitsha Wall of Remembrance	Arts and Culture	(261)	–	–	–	–	–	–	(261)
LGSETA: Environmental Internship Programme	Environmental Affairs	–	(504)	–	250	–	–	–	(254)
Mitchells Plain: Training Life Skills and Horticulture	National Treasury	(18)	–	–	–	–	–	–	(18)
Municipal Infrastructure Grants	National Treasury	–	(383 726)	70 407	2 479	247 294	–	–	(63 546)
Municipal Systems Infrastructure Grant	Cooperative Governance	(2 193)	–	–	–	–	–	–	(2 193)
Neighbourhood Development Programme	National Treasury	–	(100 900)	2 848	–	47 141	(1 127)	–	(52 038)
Princess Vlei Sports Complex	National Treasury	(5)	–	–	–	–	–	–	(5)
Public Transport Infrastructure Restructuring Grant – Seed Funding	Transport	(432 193)	(469 179)	–	31 885	472 777	(30 011)	–	(426 721)
Sale of Land State Department Public Works	National Treasury	(18 780)	–	–	1 911	6 931	–	–	(9 938)
Sanitation to Informal Settlements	Public Works	(50 857)	–	–	–	–	(3 038)	–	(53 895)
Smart Living Handbook	Water	(541)	–	–	–	–	–	–	(541)
Urban Renewal	Water	(62)	–	–	–	–	(4)	–	(66)
Water Demand-side Management	National Treasury	(60 024)	(25 148)	–	7 528	3 980	–	–	(73 664)
Wetton/Lansdowne Corridor Youth Internship Programme	Water	(8 453)	(9 286)	–	2 915	6 577	–	–	(8 247)
	National Treasury	(11 763)	–	–	–	–	–	–	(11 763)
	National Treasury	(2 316)	–	–	–	–	(138)	–	(2 454)
<b>Total National Government transfers and grants</b>		<b>(702 923)</b>	<b>(1 023 758)</b>	<b>81 118</b>	<b>89 545</b>	<b>865 988</b>	<b>(37 312)</b>	<b>–</b>	<b>(727 342)</b>

# Appendix D: Disclosure of grants and subsidies in terms of section 123 of the MFMA

Description	Source	Balance unspent at the beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met – transferred to revenue R'000	Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met – transferred to liabilities R'000
<b>Provincial Government Western Cape</b>								
2010 FIFA World Cup™: Green Point	Transport and Public Works	-	(2 000)	-	2 000	-	-	-
ABET Adult Education	Education	(4)	(4)	-	-	-	-	(8)
Accreditation Assistance	Human Settlements	-	(5 000)	(5 000)	251	(336)	-	(10 085)
Athlone Stadium General Upgrading	Transport and Public Works	(1 742)	-	-	-	-	-	(1 742)
Atlantis – Wesfleur Ext 13	Human Settlements	(332)	-	-	10	-	-	(322)
Atlantis Community Development	Cultural Affairs and Sport	(39)	-	-	-	(2)	-	(41)
Bardale High Mast Lighting Project	Human Settlements	(471)	-	-	-	-	-	(471)
Belhar Pentech	Human Settlements	-	(132)	-	-	-	-	(132)
Bloekombos Informal Business Facilities	Human Settlements	(146)	-	-	-	-	-	(146)
Blue Downs Golf Clubhouse	Cultural Affairs and Sport	(26)	-	-	-	-	-	(26)
Bokmakierie/Hazendal Infill	Human Settlements	-	(3 087)	-	48	-	-	(2 681)
Bonteheuwel Multipurpose Centre	Cultural Affairs and Sport	-	-	547	-	(45)	-	(766)
Brown's Farm Phase 3, 4, 5, 6	Human Settlements	(1 268)	-	-	4	-	-	(11 630)
Contractor Built Houses	Human Settlements	(6 082)	(44 066)	3 967	37 234	(766)	-	(9 713)
CBO Freedom Park	Human Settlements	(78)	-	-	7	-	-	(71)
Chemical toilets in Wallacedene	Human Settlements	(23)	-	-	-	(1)	-	(24)
Chris Hani Park Housing Project	Human Settlements	(274)	-	-	-	-	-	(274)
Civic Amenities – Hartleyvale	Cultural Affairs and Sport	(4)	-	-	-	-	-	(4)
Clinics: HIV/Aids and TB Programme	Health	(13)	-	-	-	-	-	(13)
Coastal Zone Development Guidelines Framework	Environmental Affairs and Development Planning	(54)	-	-	-	(3)	-	(57)
Community Residential Units	Human Settlements	(52 765)	(248 616)	-	1 158	190 565	-	(109 658)
Delft Community Facilities	Cultural Affairs and Sport	(97)	-	-	-	(6)	-	(103)
Delft South High Density Housing	Human Settlements	(104)	-	-	-	-	-	(104)
Delft Sportsfield Development	Cultural Affairs and Sport	(20)	-	-	-	-	-	(20)

# Appendix D: Disclosure of grants and subsidies in terms of section 123 of the MFMA

Description	Source	Balance unspent at the beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met – transferred to revenue		Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met – transferred to liabilities R'000
					Operating R'000	Capital R'000			
Delft Symphony Way TRA	Human Settlements	(5 457)	-	-	155	-	-	-	(5 302)
Delft: The Hague	Human Settlements	-	(4)	-	-	-	-	-	(4)
Dial-A-Ride	Transport and Public Works	-	(12 633)	-	4 182	-	(247)	-	(8 698)
Disaster Fund – Fire/Flood Kits	Human Settlements	-	(5 440)	4 061	6 719	-	-	(5 340)	-
Driftsands UISP	Human Settlements	(260)	-	-	-	-	-	-	(260)
Du Noon Phase 1: Transfers	Human Settlements	(286)	-	-	-	-	-	-	(286)
E Business Project	Treasury	(1 616)	-	-	-	-	(97)	-	(1 713)
ECHO Road Housing Project	Human Settlements	(34)	-	-	-	-	-	-	(34)
Edward Road Energy Efficient Project	Human Settlements	(2 500)	-	-	94	-	(33)	-	(2 439)
Enkanini Housing Project	Human Settlements	(3 570)	(137)	-	27	194	-	-	(3 486)
Establishment Grants	Human Settlements	(1 281)	(573)	37	480	-	(80)	-	(1 417)
Facilitation Grants	Human Settlements	(112)	(104)	-	40	-	(8)	-	(184)
Fire Detection Surveillance Cameras	Human Settlements	(61)	-	-	-	-	(4)	-	(65)
Gabriel Square Restitution	Human Settlements	(37)	-	-	-	-	-	-	(37)
Glencair Wetlands	Environmental Affairs and Development Planning	(10)	-	-	-	-	-	-	(10)
Global Fund	Health	(2 501)	(15 335)	243	19 031	-	(140)	(3 695)	(2 397)
Government Grant (Community Dev. Workers)	Human Settlements	(1 000)	-	178	-	-	(59)	-	(881)
Green Point Phase 2 Housing	Human Settlements	(863)	-	-	-	-	-	-	(863)
Green Point Stadium – Sport and Recreation	Cultural Affairs and Sport	(4)	-	-	-	-	-	-	(4)
Greenland's Housing Project	Human Settlements	(971)	-	-	-	-	-	-	(971)
Gugulethu Seven Memorial	Cultural Affairs and Sport	(40)	-	-	-	-	(2)	-	(42)
Hangberg Housing Project	Human Settlements	(94)	(207)	-	413	42	-	(206)	(52)
Happy Valley – Blackheath	Human Settlements	(659)	(53 892)	-	110	502	-	-	(53 939)
Harmonie Oord – Outdoor Development	Cultural Affairs and Sport	(397)	-	-	-	-	-	-	(397)
HCE Manuals (Housing Consumer Education)	Human Settlements	(330)	-	-	14	-	(19)	-	(335)
Health – Strandfontein Clinic	Health	(99)	-	-	-	-	-	-	(99)

# Appendix D: Disclosure of grants and subsidies in terms of section 123 of the MFMA

Description	Source	Balance unspent at the beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met – transferred to revenue		Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met – transferred to liabilities R'000
					Operating R'000	Capital R'000			
Health – Upgrade Vuyani Clinic	Health	(76)	-	-	-	-	-	-	(76)
Healthy Cities	Health	(44)	-	-	-	-	-	-	(44)
Heideveld Housing Infill	Human Settlements	-	-	-	-	619	-	(619)	-
Helicopter Standby	Local Government	(96)	(335)	-	434	-	(6)	-	(3)
HIV/Aids Community-based Response Projects	Health	-	(53 084)	7 318	52 362	-	-	(6 596)	-
Hostels Phase 2, 6a	Human Settlements	(976)	-	-	-	-	-	-	(976)
Housing Land Acquisitions	Human Settlements	-	(10 051)	-	-	10 051	-	-	-
Imizamo Yethu Phase 2 New Services	Human Settlements	(931)	-	-	-	-	-	-	(931)
Informal Settlements	Human Settlements	(397)	(864)	-	676	-	-	-	(585)
Jakkelsvlei Canal Upgrading	Human Settlements	(12 000)	-	-	-	1 536	-	-	(10 464)
Kalkfontein Phase 2	Human Settlements	(395)	-	-	-	-	-	-	(395)
Kewtown Infill Development	Human Settlements	(327)	-	-	5	57	-	-	(265)
Khayelitsha Development of Remembrance Square	Economic Development and Tourism	(16)	-	-	-	-	(1)	-	(17)
Khayelitsha DIY Home Insulation Kit	Human Settlements	(45)	-	-	-	-	-	-	(45)
Khayelitsha Kuyasa Phase 2	Human Settlements	(373)	-	-	-	-	-	-	(373)
Khayelitsha Multipurpose Centre	Social Development	(751)	-	-	-	9	(45)	-	(787)
Khayelitsha Netball Courts	Cultural Affairs and Sport	(12)	-	-	-	-	-	-	(12)
Khayelitsha Poverty Reduction Programme	Social Services	(2 379)	-	-	-	-	(142)	-	(2 521)
Khayelitsha Site C Subsidies	Human Settlements	(21 900)	-	-	3 831	-	(1 300)	-	(19 369)
Khayelitsha Stadium Site B	Cultural Affairs and Sport	(106)	-	-	-	-	-	-	(106)
Khayelitsha Vacant Land Study	Environmental Affairs and Development Planning	(250)	-	-	-	-	-	-	(250)
Kuyasa T3v1 Top Structures	Human Settlements	(202)	-	-	-	-	-	-	(202)
Langa Sportsfield Development	Cultural Affairs and Sport	(141)	-	-	-	35	-	-	(106)
Libraries – Brown's Farm	Cultural Affairs and Sport	(17)	-	(51)	-	68	-	-	-



# Appendix D: Disclosure of grants and subsidies in terms of section 123 of the MFMA

Description	Source	Balance unspent at the beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met – transferred to revenue		Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met – transferred to liabilities R'000
					Operating R'000	Capital R'000			
Libraries Phillipi East	Cultural Affairs and Sport	(51)	-	51	-	-	-	-	-
Library Service Book Fund	Cultural Affairs and Sport	(570)	-	-	569	-	-	-	(1)
Local Government Water and Related Services	Environmental Affairs and Development Planning	(11)	-	-	-	-	-	-	(11)
Local Spatial Plan	Environmental Affairs and Development Planning	(1)	-	-	-	-	-	-	(1)
Luvuyo Clinic Extension	Health	-	(17)	-	-	211	-	(194)	-
Macassar Civic Node	Human Settlements	(54)	-	-	-	-	-	-	(54)
Macassar Treatment Works	Environmental Affairs and Development Planning	-	(8 000)	-	-	-	-	-	(8 000)
Mandela Park Sports Field: Tennis Facilities	Cultural Affairs and Sport	(42)	-	-	-	-	-	-	(42)
Manenberg Infill/the Downs	Human Settlements	(2)	-	-	-	-	-	-	(2)
Manenberg Sport Complex Upgrade Gms	Cultural Affairs and Sport	(235)	-	-	-	-	-	-	(235)
Marconi Beam	Human Settlements	(65)	-	-	9	-	-	-	(56)
Masiphumelele	Human Settlements	(6 338)	(5 067)	-	8 970	-	(227)	-	(2 662)
Melkbosch Village	Human Settlements	(835)	-	-	745	-	-	-	(90)
Metropolitan Transport Board	Transport and Public Works	-	-	(32 824)	2 513	30 311	-	-	-
Mfuleni EPH Tra	Human Settlements	-	(14 592)	-	12 813	-	-	-	(1 779)
Mfuleni Ext 3, 4 Housing	Human Settlements	(291)	(241)	-	34	-	-	-	(498)
Mfuleni Flood Relief Project	Human Settlements	(3 212)	-	-	145	-	-	-	(3 067)
Mfuleni MLS Top Structures	Human Settlements	(231)	-	-	16	-	-	-	(215)
Mitchells Plain Infill Phase 1	Human Settlements	(4 570)	-	-	811	651	-	-	(3 108)
Mitchells Plain Youth and Family Development Centre	Social Development	(618)	-	-	-	-	(37)	-	(655)
Mitchells Plain TAZ	Human Settlements	(1 563)	(2 361)	-	3 555	-	-	-	(369)
Morgan Village 3/Western Cape (IPH) (CTCHC)	Human Settlements	(888)	-	-	-	-	(53)	-	(941)
National Imbizo Focus Week	Premier	(240)	-	-	-	-	-	-	(240)
Netreg Housing Project	Human Settlements	(350)	-	-	-	-	-	-	(350)

# Appendix D: Disclosure of grants and subsidies in terms of section 123 of the MFMA

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					Operating R'000	Capital R'000			
Nonqubela Phase 2/Makhaza Nutrition Supplement Programme	Human Settlements Health	(1 309)	-	-	745	49	-	-	(515)
Nyanga Upgrading Project	Human Settlements	(701)	(2 633)	-	3 454	-	-	(120)	-
Ocean View/Mountain View	Human Settlements	(839)	-	-	139	941	-	(241)	-
Oliver Tambo Drive Public Space Phase 1	Human Settlements	(5)	(9 900)	299	-	9 964	-	(368)	(10)
Parks and Bathing – Nyanga Soccer	Cultural Affairs and Sport	(52)	-	-	-	-	-	-	(52)
Philippi East Top Structures	Human Settlements	(1)	-	-	-	-	-	-	(1)
Philippi Planning for Development	Human Settlements	(1 945)	(18 618)	-	16 913	-	-	-	(3 650)
Philippi East Market	Environmental Affairs and Development Planning	(140)	-	-	-	-	(8)	-	(148)
Philippi East Phase 5	Agriculture	(737)	-	-	149	-	(40)	-	(628)
Philippi Park Flooding	Human Settlements	(148)	-	-	118	-	-	-	(30)
Philippi East Market	Human Settlements	(1 363)	-	-	-	389	(30)	-	(974)
Phoenix UISP, Top Structure	Agriculture	(501)	-	-	-	-	-	-	(531)
Peoples Housing Process	Human Settlements	(215)	-	37	4	73	-	(41)	(142)
Phumlani Transfers	Human Settlements	(34 411)	(35 337)	377	39 240	-	(2 131)	-	(32 262)
Provision of Security Improvements at Rail Park-and-ride Facilities	Human Settlements	(24)	(8)	-	8	-	-	-	(24)
Public Library Fund	Transport and Public Works	-	-	-	810	-	(21)	-	(1 211)
RDP Discretionary Fund Toilets Marconi Beam	Cultural Affairs and Sport	(2 417)	(24 267)	-	14 194	9 756	(600)	-	(3 334)
Redhill Informal Settlement	Treasury	(45)	-	-	-	-	-	-	(45)
River Clean and Green Project	Human Settlements	(230)	-	-	-	-	(14)	-	(244)
Rondevelei Housing Project	Environmental Affairs and Development Planning	(339)	-	-	-	-	(20)	-	(359)
Sanral Emergency Project 1 600 Units	Human Settlements	(235)	(345)	-	-	338	-	-	(242)
SEFP: Kewtown Flats	Human Settlements	(6 156)	(28 139)	-	156	26 050	-	-	(8 089)
Sercor Park	Human Settlements	-	-	-	-	1 650	-	(1 650)	-
Silvertown Khayelitsha 2 000 Structures	Human Settlements	-	(10 743)	44	8 065	1 930	-	-	(704)
		(5 721)	-	-	546	-	-	-	(5 175)

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					Operating R'000	Capital R'000			
Site C Survey and Subdivision	Human Settlements	(3 509)	-	-	752	880	-	-	(1 877)
Soccer Club Development Fund	Cultural Affairs and Sport	(116)	-	-	-	-	-	-	(116)
Somerset West Housing Project	Human Settlements	-	(5 000)	378	-	990	-	-	(3 632)
Spandau Project 384 Houses	Human Settlements	(36)	-	-	-	-	-	-	(36)
Spatial Planning District Plans	Environmental Affairs and Development Planning	(2)	-	-	-	-	-	-	(2)
Stilwaney Child Care Centre	Cultural Affairs and Sport	(32)	-	-	-	-	-	-	(32)
Stormwater CRCH Prov Bulk	Environmental Affairs and Development Planning	(387)	-	-	-	-	-	-	(387)
Stormwater Culver Lotus Canal	Environmental Affairs and Development Planning	(90)	-	-	-	-	-	-	(90)
Strandfontein Baths	Cultural Affairs and Sport	(3)	-	-	-	-	-	-	(3)
Streets – Crossroads	Transport and Public Works	(149)	-	-	-	-	-	-	(149)
Swartklip Sports Facility	Cultural Affairs and Sport	(87)	-	-	-	-	-	-	(87)
Table Mountain Biosphere	Environmental Affairs and Development Planning	(204)	-	-	68	-	-	-	(136)
Tafelsig Area L: Silver City	Human Settlements	(202)	-	-	-	-	-	-	(202)
Tafelsig Multipurpose Centre	Cultural Affairs and Sport	(519)	-	-	-	-	-	-	(519)
Tambo Square	Human Settlements	(42)	-	-	-	-	-	-	(42)
TB Crisis Plan	Health	(1 803)	(11 837)	-	12 431	-	-	-	(1 209)
Temperance Town	Human Settlements	-	(1 817)	-	-	1 935	-	(118)	-
Testing Facilities: Learner's Driving	Transport and Public Works	(10)	-	-	-	-	-	-	(10)
Tsoga Environmental Resource Centre	Human Settlements	(251)	-	-	-	-	-	-	(251)
Upgrade Heinz Park Hall	Cultural Affairs and Sport	(124)	-	-	-	-	-	-	(124)
Urban Renewal: Improvement STN Nodes	Environmental Affairs and Development Planning	(26)	-	-	-	-	-	-	(26)
Vaccines	Health	-	(49 891)	3 642	56 974	-	-	(10 726)	(1)
Vehicle Impound Facility Maitland	Transport and Public Works	-	(2 900)	-	-	-	(59)	-	(2 959)

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					Operating R'000	Capital R'000			
Vrygrond	Human Settlements	(32)	(19)	-	19	-	-	-	(32)
Vrygrond (EPH)	Human Settlements	(273)	-	-	37	-	(15)	-	(251)
Wallacedene Phase 3, 4, 5, 6, 7, 8, 9, 10 Housing Project	Human Settlements	(20 299)	(23)	-	2 711	365	-	(40)	(17 286)
Wallacedene Civil Service Investigation	Environmental Affairs and Development Planning	(28)	-	-	-	-	-	-	(28)
Wesbank and Happy Valley – Uluntu Plaza	Human Settlements	(123)	-	-	-	-	-	-	(123)
Wesbank Sport Complex	Cultural Affairs and Sport	(6)	-	-	-	-	-	-	(6)
Witsand Housing Project Phase 1, 2	Human Settlements	(2 057)	(30 443)	-	780	16 809	-	-	(14 911)
<b>Total Provincial Government transfers and grants</b>		<b>(246 903)</b>	<b>(719 762)</b>	<b>(16 696)</b>	<b>317 778</b>	<b>307 328</b>	<b>(6 597)</b>	<b>(29 954)</b>	<b>(394 806)</b>
<b>Total National Government transfers and grants</b>		<b>(702 923)</b>	<b>(1 023 758)</b>	<b>81 118</b>	<b>89 545</b>	<b>865 988</b>	<b>(37 312)</b>	<b>-</b>	<b>(727 342)</b>
<b>Total Provincial Government transfers and grants</b>		<b>(246 903)</b>	<b>(719 762)</b>	<b>(16 696)</b>	<b>317 778</b>	<b>307 328</b>	<b>(6 597)</b>	<b>(29 954)</b>	<b>(394 806)</b>







ANNEXURES

# The wonder of Table Mountain became a global title when it was named as one of the New Seven Wonders of Nature

INTRODUCTION

CHAPTER ONE

CHAPTER TWO

CHAPTER THREE

CHAPTER FOUR

CHAPTER FIVE

ANNEXURES










# Annexure A: 2010/11 annual performance management report

INDICATOR	Previous financial year 2009/10		Financial year under review 2010/11		
	Target	Actual performance	Target	Actual performance	
<b>Strategic focus area 1: Shared economic growth and development</b>					
<b>Corporate objective 1A: Create an enabling environment for the economy to grow and become globally competitive</b>					
<b>1A.1</b> Capital budget spend	New to corporate scorecard (CSC) (previously stated as %)	New to CSC	R4 billion	R2,858 billion	
<b>1A.2</b> Number of Expanded Public Works Programme (EPWP) job opportunities created	18 000	12 236	16 000	13 145	
<b>1A.3</b> Percentage of land use applications finalised within statutory timeframes	80%	95%	80%	85%	
<b>1A.4</b> Percentage of building plans finalised within statutory timeframes	96%	113%	70%	60%	
<b>Strategic focus area 2: Sustainable urban infrastructure and services</b>					
<b>Corporate objective 2A: Provide access to basic services</b>					
<b>2A.1</b> Number of formal domestic customers receiving sewerage services	New to CSC	New to CSC	585 515 (domestic) 44 021 (commercial) 629 536 (total)	574 189 (domestic) 13 927 (commercial) 588 116 (total)	
<b>2A.2</b> Number of sanitation service points (toilets) installed for informal settlement customers	New to CSC	New to CSC	2 000 (annual target) 31 276 (net cumulative target since commencement of this programme until 30 June 2011)	4 734 (annual actual) 30 931 (net cumulative actual since commencement of this programme until 30 June 2011)	
<b>2A.3</b> Number of formal domestic customers receiving water services	New to CSC	New to CSC	585 082 (domestic) 37 729 (commercial) 622 811 (total)	585 117 (domestic) 14 658 (commercial) 599 775 (total)	

#### RATING KEY:

 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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	Rating	Reason for variance	Remedial action
		<p>The City spent 77% of its capital budget during the 2010/11 financial year. Some of the reasons for underspending are as follows:</p> <ul style="list-style-type: none"> <li>* The late transfer of R168 million for the IRT from National Government, which was impossible to spend in the short time available.</li> <li>* The delays in plant and equipment availability as a result of the tsunami in Japan.</li> <li>* A bitumen shortage in the Western Cape, and the Cape Town refinery's decision to stop manufacturing 60/70 penetration-grade bitumen, which affected some projects.</li> </ul>	Capital spend is monitored on a continuous basis via Council's monthly Financial Monitoring Report (FMR). This report provides a regular update on indicators critical to the organisation's viability, and serves as an early-warning indicator where remedial action is required. The report is submitted in terms of relevant legislation, namely the Municipal Finance Management Act (MFMA) (Act 56 of 2003), sections 66 and 71.
		Shortfall is due to financial constraints experienced in various contributing directorates.	Implement the EPWP policy. Incorporate EPWP targets into the IDP and section 57 performance agreements. Continuously engage with line departments to ensure optimal reporting on all possible EPWP job opportunities. A consultant has been appointed at corporate level to drive the EPWP.
		Target exceeded	Maintain the momentum.
		Turnaround times of building plans are currently being delayed due to bottlenecks in various departments' processes.	Streamlining of processes and the finalisation of service-level agreements with the various departments are under way.
		<p>Tracked item reflecting net growth in service requests for domestic installations. Note: This is a trend indicator reflecting the size of our formal domestic customer base, which is fully serviced on a continuous basis according to the City's set standards.</p> <p>A data duplication correction was carried out in the Oostenberg area prior to March 2011 for approximately 9 000 records. This resulted in better billing and budget planning.</p>	Data improvement is an ongoing process.
		The actual figure is lower than the targeted figure due to a clean-up of duplications in the database.	A data cleaning exercise is under way, as well as a survey to establish the current status in the applicable areas.
		Tracked item reflecting net growth in service requests for domestic installations. Note: This is a trend indicator reflecting the size of our formal domestic customer base, which is fully serviced on a continuous basis according to the City's set standards.	Will be monitored on a continuous basis.

# Annexure A: 2010/11 annual performance management report

INDICATOR	Previous financial year 2009/10		Financial year under review 2010/11		
	Target	Actual performance	Target	Actual performance	
<b>Strategic focus area 2: Sustainable urban infrastructure and services</b>					
<b>Corporate objective 2A: Provide access to basic services</b>					
<b>2A.4</b> Number of water service points (taps) installed for informal settlement customers	New to CSC	New to CSC	200 (annual target) 11 574 (net cumulative target based on standpipe x 2 methodology; since commencement of this programme until 30 June 2011)	511 (annual actual) 7 104 (net cumulative actual)	
<b>2A.5</b> Number of electricity meters serving domestic customers	New to CSC	New to CSC	559 206 (domestic) 157 378 (commercial) 713 584 (total)	562 440 (domestic) 30 809 (commercial) 593 249 (total)	
<b>2A.6</b> Number of additional subsidised electricity connections installed	New to CSC	New to CSC	6 105	1 324	
<b>2A.7</b> Number of formal domestic customers receiving a kerbside refuse collection service	New to CSC	New to CSC	604 041	622 278	
<b>2A.8</b> Number of informal settlement dwellings receiving a door-to-door refuse collection and area cleaning service	New to CSC	New to CSC	200 722	193 951	
<b>Corporate objective 2B: Conserve natural resources</b>					
<b>2B.1</b> Percentage reduction below unconstrained water demand	27%	26,8%	27%	27,6%	
<b>2B.2</b> Percentage of waste diverted from Council waste management facilities	83%	91%	9,95%	8,67%	
<b>Corporate objective 2C: Effectively manage the City's infrastructure and resources</b>					
<b>2C.1</b> Amount spent on repairs and maintenance	New to CSC	New to CSC	R1,65 billion	R1,712 billion	
<b>2C.2</b> Average number of customer power interruptions experienced per annum	<1,3	1,06	<1,3	0,54	
<b>2C.3</b> Percentage unaccounted-for water	20% Volume: 62 040 Mℓ	25,4%	26,6%	22,2%	
<b>2C.4</b> Percentage drinking-water compliance with SANS 241	New to CSC	New to CSC	96%	99%	

#### RATING KEY:





 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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Rating	Reason for variance	Remedial action
	<p>The annual target was to increase the cumulative total by 200 additional taps. The net increase was 511 taps, exceeding the target by 311 taps.</p> <p>Note: The standpipe x 2 methodology that was used in the past has since been discontinued, as some of the standpipes that had two taps have been converted into one.</p> <p>Audited figure as at 30 June 2010 was 6 593 taps, and the auditable figure as at 30 June 2011 is 7 104 taps. These figures are based on geographic positioning system (GPS) and SAP records.</p> <p>Going forward, the revised methodology will apply.</p>	Will be monitored on a continuous basis.
	Tracked item reflecting net growth in service requests for domestic installations. Note: This is a trend indicator reflecting the size of our formal domestic customer base, which is fully serviced on a continuous basis according to the City's set standards.	Will be monitored on a continuous basis.
	The restructuring of the Electrification Section is currently under way, which has resulted in the underperformance.	<p>Unspent funds have been shifted to the Eskom electrification programme to facilitate implementation.</p> <p>The restructuring is planned to be concluded by the end of December 2011.</p>
	Tracked item reflecting net growth in service requests for formal properties.	Maintain the momentum.
	Projected growth of 5,64%, to 200 722 from a base of 190 006, did not materialise. The decline in net growth in informal settlement dwellings was due to the relocation of informal settlement customers to formal housing developments. The actual growth was 200 531 from 190 006 (net growth of 10 525). Of the known informal settlements in the City all dwellings are receiving a door-to-door refuse collection and area cleaning service.	<p>Note: The figure of 200 722 is a projection, and not an absolute target. The projected growth rate is to be reassessed based on the actual growth in 2010/11.</p> <p>The next independent count is planned and will be concluded before the end of 2011 to improve base data for projections.</p>
	Target exceeded. The achieved figure has been very consistent around this value for the entire financial year.	Project funding as per the Water Demand Management/Water Conservation Strategy needs to be increased above current levels in order to meet consumer growth and sustain this level of saving.
	The projected growth for the crushing and selling of builder's rubble has not materialised, due to an insufficient market for the selling of the crushed materials, which was a condition of the approved tender. This resulted in no crushing of builder's rubble, but rather stockpiling at the disposal facilities.	<p>An inter-directorate project team has been established to identify and provide solutions for the reuse of builder's rubble. This includes the controlling of builder's rubble through the Town Planning building plan application process.</p> <p>During August 2011 a calculation error was identified in the waste diversion calculation, and has occurred cumulatively since July 2010.</p>
	Target achieved	Maintain the momentum.
	Target exceeded. Overall system integrity has improved.	Maintain the momentum.
	Target exceeded. Water balance and loss reduction strategy is having a positive impact.	The City's water balance and loss reduction strategy needs to continue to identify and drive down losses even further.
	Drinking-water quality treatment is functioning well.	Maintain the momentum.

# Annexure A: 2010/11 annual performance management report

INDICATOR	Previous financial year 2009/10		Financial year under review 2010/11	
	Target	Actual performance	Target	Actual performance
<b>Strategic focus area 3: Energy efficiency for a sustainable future</b>				
<b>Corporate objective 3A: Develop, adopt and implement a comprehensive response to Cape Town's energy and climate change challenges</b>				
<b>3A.1</b> Percentage reduction of electricity consumption below projected unconstrained electricity consumption	3,3%	6,7%	10% (10 587 GWh)	10,3% (10 551 GWh)
<b>Strategic focus area 4: Public transport systems</b>				
<b>Corporate objective 4A: Improve public transport system and services (for example, the implementation of Phase 1A of the integrated rapid transit programme)</b>				
<b>4A.1</b> Form two operating companies to run integrated rapid transit (IRT) system	New to CSC	New to CSC	Form two operating companies for Phase 1A of IRT	The vehicle operating companies (VOCs) were formed for the interim Phase 1A starter service.  The three VOCs are as follows:  1. Trans Peninsula (Company A)  2. Kidrogen (Company B)  3. GABS (Golden Arrow – Company C)
<b>Strategic focus area 5: Integrated human settlements</b>				
<b>Corporate objective 5A: Provide equitable community facilities and services across the city</b>				
<b>5A.1</b> Number of community parks maintained according to selected service standards	3 058 (3 133 after verification in third quarter)	2 493	3 133	2 996
<b>5A.2</b> Number of libraries open according to minimum planned open hours, including ad hoc unforeseen closing hours	63	69	63	66
<b>5A.3</b> Number of fenced formal sports fields compliant with the defined-level grass cover standard	360	367	450	503
<b>5A.4</b> Number of halls maintained to specified standard	121	193	181	171
<b>Corporate objective 5B: Deliver housing opportunities in accordance with the five-year housing plan (reviewed annually)</b>				
<b>5B.1</b> Number of housing opportunities provided per year	8 400	8 950	8 400	7 472

## RATING KEY:

 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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	Rating	Reason for variance	Remedial action
	👍	Target exceeded. The 10,3% reduction achieved is a percentage of the unconstrained energy use of 11 763 GWh.	Maintain the momentum.
	👍	Target achieved	Maintain the momentum.
	👎	Delays in mowing due to wet weather conditions. Some areas were so waterlogged that they could not be mowed. The mowing tender has also been revoked, and a process to start a new tender has been initiated.	The backlog is being addressed now that the weather has improved. The mowing tender is being readvertised as a priority.
	👍	Target exceeded	Maintain the momentum.
	👍	Target exceeded	Maintain the momentum.
	👎	The following facilities are currently closed for major repairs and maintenance: <ol style="list-style-type: none"> <li>1. Lavender Hill Community Centre</li> <li>2. Ottery Sport and Recreation Centre</li> <li>3. Parkwood Community Centre</li> <li>4. Khayelitsha Resource Centre</li> <li>5. Masibambane Hall</li> <li>6. Site B Hall</li> <li>7. Matroosfontein Civic Centre</li> <li>8. Valhalla Community Centre</li> <li>9. Mfuleni Hall</li> </ol>	Currently, only 180 halls are operational instead of the targeted 181. One hall, Vangate Hall (District 4), is currently operating as a clubhouse.  Ongoing monitoring.
	👎	Eighteen projects were delayed for various reasons, including community resistance, community unrest and interference, and delays in town planning appeals and approvals. The following are examples of these projects: <ol style="list-style-type: none"> <li>1. Bardale 1 550 units – Delays with Town Planning approvals and registering of the township due to specific approval conditions. A total of 250 erven were affected by this delay.</li> <li>2. Wallacedene Phase 9 – Delayed due to violence from relocating communities and temporary relocation area (TRA) residents. An underspend of R3,8 million resulted, and more than 350 houses were affected.</li> <li>3. Witsand Phase 2 – Delays in spending R3,29 million saw 135 erven affected. These delays were due to bulk stormwater, problems with land rights, leadership battles and by-elections.</li> <li>4. The TRAs as per 5B.2 were stopped by community interference, and 1 359 opportunities were lost.</li> </ol>	Further political intervention will take place in an effort to resolve some of the challenging issues. Target 89% achieved. Election processes had quite a negative impact on delivery.












# Annexure A: 2010/11 annual performance management report

INDICATOR	Previous financial year 2009/10		Financial year under review 2010/11		
	Target	Actual performance	Target	Actual performance	
<b>Strategic focus area 5: Integrated human settlements</b>					
<b>Corporate objective 5B: Deliver housing opportunities in accordance with the five-year housing plan (reviewed annually)</b>					
<b>5B.2</b> Implementation of Upgrade of Informal Settlements Programme (UISP) and Emerging Housing Programme (EHP)	1 000 incrementally serviced erven	1 041 incrementally serviced erven	1 000 erven serviced	955 erven serviced Mfuleni temporary relocation area = 384 Lwazi Park = 38 Canal Walk = 15 Zulu Land = 15  <b>Informal settlements total – 452</b>  Bardale = 400 Enkanini = 17 Site C = 52 Delft temporary relocation area = 34  <b>New settlements total – 503</b>	
<b>Strategic focus area 6: Safety and security</b>					
<b>Corporate objective 6A: Foster a safe and secure environment</b>					
<b>6A.1</b> Survey score on five-point symmetric scale	3	2,6	≥3	2,7%	
<b>6A.2</b> Percentage reduction in accident rate at high-frequency locations	5% 227	14% 186 accidents	5% 176 accidents	28% reduction from a baseline of 186 134 accidents	
<b>6A.3</b> Percentage increase in arrests in drug-related crimes	10% 760	26% 955 arrests	5% 1 002 arrests	45% increase calculated from a baseline of 952 1 381 arrests during 2010/11 financial year	
<b>6A.4</b> Percentage response times for fire and other emergency incidents within 14 minutes from call receipt up to arrival	New to CSC	New to CSC	80%	76%	
<b>Strategic focus area 7: Health, social and community development</b>					
<b>Corporate objective 7A: Facilitate the development of a healthy and socially inclusive society</b>					
<b>7A.1</b> Number of targeted development programmes	4	4	20	30	
<b>7A.2</b> Number of days on which air pollution exceeds World Health Organisation guidelines	137	111	135	55	
<b>Strategic focus area 8: Good governance and regulatory reform</b>					
<b>Corporate objective 8A: Ensure enhanced service delivery with efficient institutional arrangements</b>					
<b>8A.1</b> Percentage “truly loyal” employees as measured by the employee culture/climate survey	31%	31%	34%	35%	
<b>8A.2</b> Percentage improvement in time to finalise complaints	12% measured against a baseline of 22 days	53% (10,34 days)	12%	14,51% decline	

#### RATING KEY:

 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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Rating	Reason for variance	Remedial action
	The establishment of four of the five planned TRAs was stopped by communities. A total of 1 359 opportunities were thus lost: Khayelitsha Erf 2132 & 2148 = 231 Khayelitsha Erf 38552 = 312 Farm ST 996 (Eerste River) = 304 Khayelitsha (Lookout Hill) = 512	Through community consultation the City will continue to try and reach an agreement, so that the establishment of the TRAs can proceed.
	See Indicator 8C.1, "Reason for variance".	For remedial action, see Indicator 8C.1, "Remedial action".
	The number of accidents recorded as at June 2011 is less than the target. To obtain accurate statistics on the exact location of an accident remains a challenge.	Maintain the momentum.
	Target achieved	These arrests were the result of information-driven joint operations, which include visible patrols. This is an ongoing process, and areas will monitor performance on this indicator. These operations are driven by crime threat pattern analysis.
	The response times are affected by the number of appliances and staff on duty at fire stations. Non-compliance with SANS Code 10090 in terms of response times has led to the failure in reaching the target. Until such time as Fire and Rescue are at full strength and continually respond to medical and trauma-related incidents, response times will continue to be negatively affected.	All future medical and trauma-related calls are redirected to Province's Emergency Services. Fire and Rescue will continue to strive towards complying with SANS Code 10090 with the resources at its disposal.
	Target exceeded	Maintain the momentum.
	Target exceeded	Maintain the momentum.
	Target exceeded	Maintain the momentum.
	A 14,51% decline from 10,34 days to close to 11,84 days.	Ongoing monitoring will commence. This is a key operational indicator, and it is monitored in the service delivery and budget implementation plan (SDBIP) of each directorate and its departments.

# Annexure A: 2010/11 annual performance management report

INDICATOR	Previous financial year 2009/10		Financial year under review 2010/11		
	Target	Actual performance	Target	Actual performance	
<b>Strategic focus area 8: Good governance and regulatory reform</b>					
<b>Corporate objective 8B: Manage key financial and governance areas, such as income control, cash flow, indigent support, alternative income opportunities, asset and risk management</b>					
<b>8B.2</b> Opinion of Auditor-General	Unqualified audit report	Unqualified audit report	Unqualified audit report	Audit concluded and unqualified audit opinion received	
<b>8B.3</b> Opinion of independent rating agency	P -1 (short-term) Aa2.za (long-term)	P -1 (short-term) Aa2.za (long-term)	High investment rating	High investment rating of Aa2.za confirmed during July 2010 and still applies	
<b>Corporate objective 8C: Establish effective community engagement channels</b>					
<b>8C.1</b> Community satisfaction (score 1–5)	3	2,6	3	2,7	

#### RATING KEY:





 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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	Rating	Reason for variance	Remedial action
		Target achieved	Maintain the momentum.
		Target achieved	Maintain the momentum.
		<p>The target of moving from a score of 2,6 to 3,0 over a period of one year was ambitious in the context of Cape Town's existing development challenges and continuing growth. The increase in the overall performance rating from 2,6 in 2009/10 to 2,7 in 2010/11 is significant. In 2007/8 (the first year of the survey), the score was 2,4. Overall, residents' perceptions of the City's performance have increased significantly over the four years, with respondents generally perceiving that services have improved across most of the City's service delivery areas in the past year. The proportion of residents who said that the City of Cape Town's overall performance was good, very good or excellent increased to 62% (up from 57% in 2009/10, 54% in 2008/9 and 50% in 2007/8). Factors mitigating increases in the overall rating were low ratings in certain priority service areas, such as housing and health, although these have shown some improvement from the previous year. The survey also continues to point to the need for stronger communication/marketing of City projects and service initiatives/improvements.</p>	The City will continue to address the areas for improvement as indicated by the survey.

# Annexure A: 2010/11 annual performance management report

INDICATOR	Previous financial year 2009/10		Financial year under review 2010/11	
	Target	Actual performance	Target	Actual performance
The indicators below were part of the IDP and original performance scorecard, but were changed or removed during the year to ensure auditability. These indicators were not in line with the audit criteria of completeness, validity and accuracy. In certain cases, it also fell outside the scope of the City's mandate.				
1A.1 Increase number of direct job opportunities created (NKPI)	11 700	8 246	11 500	Removed from scorecard during December 2010
1A.2 Increase direct investment in the local economy	R1,6 billion * Original target: R1 billion	R1,716 billion	R1 billion	Removed from scorecard during December 2010
1A.3 Increase the percentage of visitors to Cape Town	2%	1%	2%	Removed from scorecard during December 2010
2A.1 Percentage of formal households with access to sanitation	99,10% 894 157 households	100%	Changed to indicator 2A.1 on the 2010/11 scorecard	
2A.2 Percentage of informal settlement households with access to sanitation	81%	77%	Changed to indicator 2A.2 on the 2010/11 scorecard	
2A.3 Percentage of formal households with access to water	100% 902 278 households	100%	Changed to indicator 2A.3 on the 2010/11 scorecard	
2A.4 Percentage of informal settlement households with access to water	100%	87%	Changed to indicator 2A.4 on the 2010/11 scorecard	
2A.5 Percentage of formal households with access to electricity	90,46% 771 435 households	92,18%	Changed to indicator 2A.5 on the 2010/11 scorecard	
2A.6 Percentage of informal households with access to electricity	62,43%	72,87%	Changed to indicator 2A.6 on the 2010/11 scorecard	
2A.7 Percentage of formal households with access to solid waste removal	99% 893 255 households	99%	Changed to indicator 2A.7 on the 2010/11 scorecard	
2A.8 Percentage of informal households receiving an integrated area cleaning and refuse collection service	99%	99%	Changed to indicator 2A.8 on the 2010/11 scorecard	
2C.5 Percentage of projects completed	In progress	In progress	In progress	Removed from scorecard during December 2010
4A.1 Length of dedicated public transport lanes provided, in kilometres	15 km (on baseline of 53 km)	15 km	Business plan to be developed	Removed from scorecard during December 2010
4A.2 Percentage commuters using public transport to total number of commuters in the CBD	52% Ratio: 0,52:1	0%	2% on baseline	Removed from scorecard during December 2010
4A.3 Implement and enforce appropriate legislation	New		New Public Transport Bylaw adopted	Removed from scorecard during December 2010
6A.5 Number of informal households relocated from flood-prone areas	In progress	In progress	In progress	Removed from scorecard during December 2010
7A.3 Reduction in the infant mortality rate (number of infant deaths per 1 000 live births)	19,5	20,76	19,2	Removed from scorecard during December 2010
7A.4 Slow the rate of increase of TB per 100 000 of Cape Town's population	1 090	821	1 120	Removed from scorecard during December 2010
7A.5 Slow the rate of increase of the City's antenatal HIV prevalence	19,3%	14,1%	19,6%	Removed from scorecard during December 2010
8B.1 Percentage spend of capital budget	95%	83%	95%	Removed from scorecard during December 2010

#### RATING KEY:

 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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Rating	Reason for variance
	Removed from scorecard during December 2010 to ensure alignment with audit criteria of completeness, validity and accuracy
	Removed from scorecard during December 2010 to ensure alignment with audit criteria of completeness, validity and accuracy
	Removed from scorecard during December 2010 to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.1 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.2 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.3 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.4 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.5 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.6 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.7 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Changed to indicator 2A.8 on the 2010/11 scorecard to ensure alignment with audit criteria of completeness, validity and accuracy
	Removed from scorecard during December 2010 to ensure alignment with audit criteria of completeness, validity and accuracy
	Removed from scorecard during December 2010 to ensure alignment with audit criteria of completeness, validity and accuracy
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# Annexure A: 2010/11 annual performance management report

Indicator	Previous financial year under review 2009/10		Financial year under review 2010/11		
	Target	Actual performance	Target	Actual performance	
<b>Strategic focus area 1: Shared economic growth and development</b>					
<b>Corporate objective 1A: Create an enabling environment for the economy to grow and become globally competitive</b>					
Percentage of operating budget spent	98%	98%	80%	Revenue 106%	
				Expenditure 96%	
Percentage of capital budget spent	80%	86%	80%	83%	
Contribution to gross domestic product	R2,7 billion	R2,3 billion	R2,3 billion per annum	R2,6 billion	
International delegate days	200 000	206 847	200 000	225 657	
Number of jobs created	9 000	7 080	9 000	7 870	
Number of events	500	553	500	501	
Customer centricity and service excellence	75%	76%	75% of minimum aggregate score for all CTICC internal departments and external suppliers	77%	
Reduction of water and energy consumption	5% saving	6% saving	5% saving on energy compared to 2009/10	6,84%	
Supply chain procurement from BEE suppliers measured in terms of BEE Act	Not below 50%	54%	Percentage spent not below 50%	58%	
All training costs spent on current permanent and temporary staff	5%	7%	Minimum of 5% as a percentage of salary cost	9%	

## RATING KEY:

 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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# Cape Town International Convention Centre (CTICC)

	Rating	Reason for positive/negative variance	Remedial action
	👍	Within acceptable parameters	Ongoing monitoring.
	👍	Target exceeded	Maintain the momentum.
	👍	Target exceeded	Maintain the momentum.
	👍	Target exceeded	Maintain the momentum.
	👎	Target not met	This target was not met due to the global economic recession, and will be revised in future, as it was set unrealistically high.
	👍	Target exceeded	Maintain the momentum.
	👍	Target exceeded	Maintain the momentum.
	👍	Target exceeded	Maintain the momentum.
	👍	Target exceeded	Maintain the momentum.
	👍	Target exceeded	Maintain the momentum.

INTRODUCTION

CHAPTER ONE

CHAPTER TWO

CHAPTER THREE

CHAPTER FOUR





CHAPTER FIVE








ANNEXURES

# Annexure A: 2010/11 annual performance management report

Indicator	Previous financial year 2009/10		Financial year under review 2010/11		
	Target	Actual performance	Target	Actual performance	
<b>Strategic focus area 1: Shared economic growth and development</b>					
<b>Corporate objective 1A: Create an enabling environment for the economy to grow and become globally competitive</b>					
Percentage of operating budget spent	98%	61%	98%	88,7%	
Percentage of capital budget spent	80%	46%	95%	100%	
To maintain good corporate governance	Eight trustee meetings. Four Audit Committee meetings.	Eight trustee meetings. Six Audit Committee meetings.	Eight trustee meetings. Four Audit Committee meetings.	Eight trustee meetings. Four Audit Committee meetings.	
To facilitate affordable residential development in Khayelitsha business district (KBD)	Funding sourced	Development funding, including top-structure funding for the housing units as well as funding for the payment of professional fees, has been secured with Rand Merchant Bank (RMB).	Funding sourced	A funding application is being lodged with the City of Cape Town for the installation of bulk infrastructure services through the Urban Settlements Development Grant (USDG).	
To implement a legally compliant set of structures for KCT and its investment companies	Legally compliant set of structures for KCT and its investment companies implemented	The City's Shareholder Management Unit having discussions on the KCT and its structures	Legally compliant set of structures for KCT and its investment companies implemented	A workshop between KCT and the Shareholder Management Unit was held on 12 August 2011 to discuss the implications of the trust deed amendment for KCT and its investment companies.	
To update development and operating and decision-making framework for KBD (initiate development of retail and office space)	Updated development plan approved	Updating of the development framework still in progress; completion date September 2010	Updated development plan approved	Negotiations with the Passenger Rail Agency of South Africa (PRASA) have been conducted and a development framework approved by the board. This now awaits City approval.	
Secure alternative sources of funding	Alternative funding sources secured	Still negotiating with potential investors for alternative funding sources	Alternative funding sources secured	An equity-raising strategy is being developed for board consideration	

## RATING KEY:

 Meets or exceeds target	 Currently does not meet target	 Information not available, or work on hold	 Original target to be amended
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	Rating	Reason for variance	Remedial action
		Treatment of short-term loans to investment companies not finalised at year-end	To be finalised once the transfer of housing land has been finalised by Council.
		Target achieved	Maintain the momentum.
		Target achieved	Maintain the momentum.
		Funding has not yet been secured from RMB, although it has indicated an interest in partnering with KCT in providing development and end-user finance on the project.	A memorandum of understanding (MoU) has been entered into between KCT and Cape Town Community Housing Company for the implementation of institutional subsidy units, and top-loan funding will be obtained from the National Housing Finance Corporation (NHFC).
		The 30 June deadline for the finalisation of the trust deed amendment process could not be met, as the period coincided with the City restructuring process immediately following the local government elections. Hence, administrative delays were encountered while awaiting a Council meeting to pronounce upon the matter.	The amended trust deed has been signed by the City of Cape Town, and is awaiting finalisation of the proclamation process by the Master of the High Court. KCT-appointed lawyers are attending to the process.
		Upon submission of the development plan to the City of Cape Town, the latter referred the KCT report back for further consultation with City structures, such as the Planning and Environmental Portfolio Committee (Pepco).	The development plan has been submitted to the City of Cape Town, and is now awaiting a decision by Council.
		The Internal Evaluation Committee that is working on the retail centre bid/tender submission is recommending a different procurement process to be followed for raising alternative sources of finance for Phase 2 developments.	Awaiting presentations from reputable finance institutions such as Grant Thornton, KPMG and PricewaterhouseCoopers on the appropriate model for rolling out a public share ownership initiative on the retail centre, and the possibility of securing community equity for financing the rest of the Phase 2 developments.

## Annexure B: Annual report compliance checklist

This checklist has been completed in accordance with chapter 12 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

No	Requirement	Reference	Compliance
<b>Required documentation to be included in the annual report</b>			
1	Financial statement		Yes
2	Auditor-General report		Yes
3	Annual performance report		Yes
4	Assessment of any arrears on municipal taxes and service charges		Yes
5	Assessment of performance against the measurable performance objectives for revenue collection		Yes
6	Corrective action taken in response to issues raised in the audit reports		Yes
7	Recommendations of the municipality's Audit Committee		Yes
<b>Disclosures on intergovernmental and other allocations</b>			
8	Allocations received from an organ of state in the national or provincial sphere of government		Yes
9	Allocations received from a municipal entity or another municipality		Yes
10	Indication of how any allocations were spent		Yes
11	Allocations made by the municipality to a municipal entity or another municipality		Yes
12	Allocations made by the municipality to any other organ of state		Yes
13	Indication of whether the municipality has complied with the conditions of any allocations made to the municipality		Yes
14	Indication of the reasons for any non-compliance with conditions of any allocations made to the municipality		Yes
15	Indication of whether funds destined for the municipality in terms of the annual Division of Revenue Act were delayed or withheld, and the reasons advanced to the municipality for such delay or withholding		Yes
<b>Disclosures concerning councillors, directors and officials</b>			
16	The salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, including a statement by the accounting officer on whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution		Yes
17	Any arrears owed by individual councillors to the municipality, or a municipal entity under its sole or shared control, for rates or services, and which, at any time during the relevant financial year, were outstanding for more than 90 days, including the names of those councillors		Yes
18	The salaries, allowances and benefits of the municipal manager, the chief financial officer, every senior manager and such categories of other officials as may be prescribed		Yes
<b>Other compulsory disclosures</b>			
19	A list of all municipal entities under the sole or shared control of the municipality during and as at the last day of the financial year		Yes
20	The total amount of contributions to organised local government for the financial year, and the amount of any contributions outstanding as at the end of the financial year		Yes
21	The total amounts paid in audit fees, taxes, levies, duties, and pension and medical aid contributions, and whether any amounts were outstanding as at the end of the financial year		Yes
<b>In respect of each bank account held by the municipality during the relevant financial year</b>			
22	The name of the bank where the account is or was held, and the type of account		Yes
23	Year-opening and year-end balances of each of these bank accounts		Yes
24	A summary of all investments of the municipality or entity as at the end of the financial year		Yes
25	Particulars of any contingent liabilities of the municipality or entity as at the end of the financial year		Yes
26	Particulars of: <ul style="list-style-type: none"> <li>• any material losses and any material irregular or fruitless and wasteful expenditures, including, in the case of a municipality, any material unauthorised expenditure that occurred during the financial year, and whether this is recoverable;</li> <li>• any criminal or disciplinary steps taken as a result of such losses or such unauthorised, irregular or fruitless and wasteful expenditures; and</li> <li>• any material losses recovered or written off.</li> </ul>		Yes

## Annexure C: King III disclosure checklist – integrated reporting

No	King III reference	King III disclosure requirement	Is the entity currently disclosing this information? Yes/no	Current status of information, and how it will be treated in the integrated report
<b>1.1 Preparation of an integrated report</b>				
1.1.1	Chapter 9 par 5	An integrated report that conveys adequate information about the operations of the company and its integrated sustainability and financial reporting should be prepared annually.	Yes	Reflected in the annual report. Kindly note that the total annual report is the INTEGRATED REPORT in terms of the King III requirements.
1.1.2	Chapter 1 par 16 Chapter 9 par 13 Chapter 3 par 24	The board should report to its shareholders and other stakeholders on the company's economic, social and environmental performance in a transparent manner.	Yes	Reflected in the annual report. The annual report is in principle a performance report reflecting the performance during the previous financial year.
1.1.3	Chapter 9 par 11	The integrated report should describe how the company has made its money; hence the need to contextualise financial results by reporting on the positive and negative impact the company's operations have had on its stakeholders.	Yes	Reflected in the annual financial statements
1.1.4	Chapter 9 par 7	The integrated report should be focused on substance over form, and should disclose information that is complete, timely, relevant, accurate, honest, accessible and comparable with past performance of the company. It should also contain forward-looking information.	Yes	Reflected in the annual report. All the information in the annual report is audited on a continuous basis during the year by the City's Internal Audit Directorate, and annually by the Auditor-General.
<b>1.2 Statement of application of King III</b>				
1.2.1	Code of governance principles	Where entities have applied the code and best-practice recommendations in the report, a positive statement to this effect should be made to stakeholders.	Yes	Reflected in the annual report.
1.2.2	Code of governance principles	In situations where the board or those charged with governance decide not to apply a specific principle and/or recommendations, this should be explained fully to the entity's stakeholders.	Yes	Not applicable. The City of Cape Town will apply all the recommendations as contained in King III.
<b>1.3 Going concern</b>				
1.3.1	Chapter 9 par 10	The board should disclose that the company is a going concern, and whether it will continue to be a going concern. If it will not continue to be a going concern, the board should give the reasons and the steps it is taking to remedy the situation.	Yes	Reflected in the financial statements.
<b>1.4 Disclosure regarding directors</b>				
1.4.1	Chapter 2 par 88.1	The reasons for the removal, resignation or retirement of directors.	Yes	The information regarding this point is reflected in the personal files of the various councillors. Information is available on request.
1.4.2	Chapter 2 par 88.2 Chapter 2 par 127	Composition of the board and board committees, including external advisers who regularly attend or are invited to attend committee meetings.	Yes	Council comprises public office-bearers elected by the community. The various committees are elected by all councillors. Council committees, members and responsibilities are elected and assigned by Council from among the councillors in accordance with section 79 of the Municipal Structures Act (Act 117 of 1998).  The names of councillors will be reflected in the annual report. The remaining information (composition of board committees, including external advisers who regularly attend or are invited to attend committee meetings) is available on the City's website, <a href="http://www.capetown.gov.za/en/CouncilOnline/Pages/ViewCouncilMeetings.aspx">www.capetown.gov.za/en/CouncilOnline/Pages/ViewCouncilMeetings.aspx</a> .



## Annexure C: King III disclosure checklist – integrated reporting

No	King III reference	King III disclosure requirement	Is the entity currently disclosing this information? Yes/no	Current status of information, and how it will be treated in the integrated report
<b>1.4</b>	<b>Disclosure regarding directors (continued)</b>			
1.4.3	Chapter 2 par 88.2	Number of board meetings and board committee meetings held, attendance and activities.	Yes	Number of Council and committee meetings held, see Annexure D. For more specific details regarding each meeting (attendance and activities), visit the City's website, <a href="http://www.capetown.gov.za/en/CouncilOnline/Pages/ViewCouncilMeetings.aspx">www.capetown.gov.za/en/CouncilOnline/Pages/ViewCouncilMeetings.aspx</a> .
1.4.4	Chapter 2 par 88.4	Length of service and age of directors.	Yes	Reflected in the personal files of the various councillors. Information is available on request.
1.4.5	Chapter 2 par 88.3	Education, qualifications and experience of the directors.	Yes	Municipal Structures Act (Act 117 of 1998), section 21, "Qualifications for councillors" <p>"(1) Every citizen who is qualified to vote for a particular municipal council has the right –</p> <p>(a) to stand as a candidate in an election for that council, except a person disqualified in terms of section 158(1)(c) of the Constitution; and</p> <p>(b) if elected, to become and remain a councillor, except a person disqualified in terms of section 158(1)(a), (c), (d) or (e) of the Constitution."</p> <p>Other information mentioned under this point is reflected in the personal files of the various councillors. Information is available on request.</p>
1.4.6	Chapter 2 par 88.5	Whether supervision of new management is required, in which case retention of board experience would be called for.	Yes	Supervision of new management is <b>not</b> required.
1.4.7	Chapter 2 par 88.7	Actual or potential political connections or exposure.	Yes	Local government councils are politically constituted, and councils comprise public office-bearers elected by the community. All councillors are affiliated with political parties. Councils are politically driven.
1.4.8	Chapter 2 par 88.6	Other significant directorships of each board member.	Yes	Reflected in the annual financial statements.
1.4.9	Chapter 2 par 39	If relevant, the fact that a chairman of the board has been appointed who is either a non-executive director but who is not independent, or who is an executive director, with the reasons and justifications for it.	Yes	The speaker is the designated chairperson of Council in terms of section 36(1) of the Municipal Structures Act (Act 117 of 1998), and is elected by the councillors. <p>The mayor is the chairperson of the executive committee in terms of section 48 of the Municipal Structures Act, and is also elected by councillors.</p> <p>Note: In a plenary executive system, the speaker is the mayor.</p>
1.4.10	Chapter 2 par 76	The classification of directors as independent or otherwise.	Yes	Schedule 1 to the Municipal Systems Act (Act 32 of 2000), the "Code of Conduct for Councillors", inter alia deals with a councillor's responsibility to disclose any direct or indirect personal or private business interests. <p>The disclosures are reflected in the personal files of all councillors and the annual financial statements.</p>

## Annexure C: King III disclosure checklist – integrated reporting

No	King III reference	King III disclosure requirement	Is the entity currently disclosing this information? Yes/no	Current status of information, and how it will be treated in the integrated report
<b>1.4 Disclosure regarding directors (continued)</b>				
1.4.11	Chapter 2 par 114	The board should state the appraisals of the board and its committees that have been conducted, and should provide an overview of the results of the performance assessment and the action plans to be implemented, if any.	Yes	While King II recommended the self-evaluation of the board, its committees and the contribution of each individual director, King III requires the board to consider whether the evaluation of performance should be done in-house or conducted professionally by independent service providers, subject to legislative requirements. Currently, it is only the performance of the municipality overall in terms of Council's performance management system, as well as the municipal manager and section 57 employees that are evaluated in terms of sections 38 and 57(2) of the Municipal Systems Act (Act 32 of 2000).
1.4.12	Chapter 2 par 78	To the extent that an independent non-executive director may serve longer than nine years, a statement indicating that the director's independence or character and judgement had been assessed and was not considered to be affected or impaired by the length of service should be included in the integrated report.	Yes	The municipality is subjected to an election every five years. Reshuffling takes place and the non-executive director will not be serving in the same post for a period exceeding five years. The director's post is linked to a five-year contract.
<b>1.5 Statement by the board on internal controls</b>				
1.5.1	Chapter 7 par 12	The board should report on the effectiveness of the system of internal controls in the integrated report.	Yes	Reflected in the Auditor-General and Audit Committee report. Also reflected in the Internal Audit section of the annual report.
1.5.2	Chapter 6 par 10	The board should disclose details in the integrated report on how it discharges its responsibility to ensure the establishment of an effective compliance framework and process.	Yes	<p>Clear roles and responsibilities are reflected in the City's system of delegations, as required by legislation as well as in the performance management system.</p> <p>The system of delegations has been compiled in accordance with the requirements of section 59 of the Municipal Systems Act (Act 32 of 2000), and such system is aimed at maximising administrative and operational efficiency, and provides for adequate checks and balances by delegating appropriate powers, functions and duties to:</p> <ul style="list-style-type: none"> <li>* the Executive Mayor, and by designating some of these powers, functions and duties in terms of the Municipal Structures Act (Act 117 of 1998);</li> <li>* the Executive Deputy Mayor;</li> <li>* the Speaker;</li> <li>* the Chief Whip;</li> <li>* the party whips;</li> <li>* the section 79 committees;</li> <li>* the section 80 committees;</li> <li>* the Supply Chain Management Bid Adjudication Committee;</li> <li>* the subcouncils; and</li> <li>* the staff.</li> </ul>

## Annexure C: King III disclosure checklist – integrated reporting

No	King III reference	King III disclosure requirement	Is the entity currently disclosing this information? Yes/no	Current status of information, and how it will be treated in the integrated report
<b>1.6 Statement by the board on risk management</b>				
1.6.1	Chapter 4 par 54	Having given due regard to the company's commercially privileged information, disclosure should be provided of any undue, unexpected or unusual risks taken in the pursuit of reward as well as any material losses and their causes that the company has suffered for the period under review. In disclosing the material losses, the board should endeavour to quantify and disclose the effect that these losses have had on the company, and the steps taken by the board and the management to prevent a recurrence.	Yes	Material losses will be reflected in the financial statements. Also, in disclosing the material losses, the quantity and effect that these losses have had on the City and the remedial steps taken by the board and the management to prevent a recurrence will be reflected in the financial report.
1.6.2	Chapter 4 par 55	Disclosure of any current, imminent or envisaged risk that may threaten the long-term sustainability of the company.	Yes	Currently, all risks equal and above the appetite level (threshold limit) are being managed at executive and departmental level. These risks are being responded to by means of risk action plans, which are being driven by action owners, but the management of the identified risks remains the responsibility of the relevant risk owners/management. Risk champions were identified per directorate, who are responsible for monitoring the risks as well as to report to the City's Risk Committee via dashboards.
1.6.3	Chapter 4 par 56	The board's views on the effectiveness of the company's risk management processes should be disclosed in the integrated report.	Yes	The City's risk management processes are monitored on a continuous basis by the Audit Committee, and any gaps are addressed on an ongoing basis. The City's Internal Audit Directorate reports to the Audit Committee by submitting a combined assurance report, which includes a statement on the effectiveness and efficiency of the integrated risk management in the City.
1.6.4	Chapter 4 par 13	The board may set limits regarding the company's risk appetite. Where the risk appetite exceeds or deviates materially from the limits of the company's risk tolerance, this should be disclosed in the integrated report.	Yes	The City's risk appetite was approved by Council, and risks are being managed within those parameters. Although all risks at executive level and above the risk appetite level are being reported to the City's Risk Committee, material deviances that might be of an uncontrollable nature will be reported to the Audit Committee and Council.
1.6.5	Chapter 4 par 39	The company's integrated report should include key sustainability risks, and responses to these risks and residual sustainability risks.	Yes	Refer to answer under point 1.6.2 above.
<b>1.7 Internal audit</b>				
1.7.1	Chapter 7 par 1	Where the board, in its discretion, decides not to establish an internal audit function, full reasons should be disclosed, with an explanation as to how adequate assurance of an effective governance, risk management and internal control environment has been maintained.	Yes	Internal audit function has been established.

# Annexure C: King III disclosure checklist – integrated reporting

No	King III reference	King III disclosure requirement	Is the entity currently disclosing this information? Yes/no	Current status of information, and how it will be treated in the integrated report
<b>1.8 Assurance on sustainability reporting</b>				
1.8.1	Chapter 9 par 21	To the extent that sustainability reports are subject to assurance, the name of the assurer should be clearly stated, together with the period under review, the scope of the assurance exercise and the methodology adopted.	Yes	<p>Council has assigned the overseeing of sustainability issues in the integrated report to the Audit Committee.</p> <p>Note: Sustainability reporting is not included in section 166 of the Municipal Finance Management Act (Act 56 of 2003) as a reporting requirement of the Audit Committee.</p> <p>The challenge in this regard is to upskill Audit Committee members to deal with their responsibilities relating to sustainability reporting.</p>
<b>1.9 Managing stakeholder relationships</b>				
1.9.1	Chapter 6 par 22 Chapter 8 par 36	<p>Companies should consider disclosing in their integrated report the following additional information, subject to such disclosure not detrimentally affecting the company, or resulting in breach of any agreement to which it is a party:</p> <ol style="list-style-type: none"> <li>1. The number and reasons for refusals of requests for information that were lodged with the company in terms of the Promotion of Access to Information Act (PAIA) (Act 2 of 2000).</li> <li>2. Any material or immaterial but often repeated regulatory penalties, sanctions and fines for contraventions of, or non-compliance with, statutory obligations that were imposed on the company or any of its directors or officers.</li> </ol>	Yes	<p>No requests for information that had been lodged with the municipality in terms of the PAIA were refused.</p> <p>There are no material or immaterial repeated regulatory penalties, sanctions and fines for contraventions of, or non-compliance with, statutory obligations that were imposed on the municipality or any of its directors or officers.</p>
1.9.2	Chapter 8 par 22	The board should disclose in its integrated report the nature of its dealings with its stakeholders, and the outcomes of these dealings.	Yes	Reflected in the annual financial statements.
<b>1.10 Compliance with laws, regulations, rules and standards</b>				
1.10.1	Chapter 6 par 6	Companies should disclose the applicable non-binding rules, codes and standards to which they adhere on a voluntary basis.	Yes	<p>The City has taken several important measures that go beyond legislative compliance:</p> <ul style="list-style-type: none"> <li>* The formation of a Standing Committee on Public Accounts (SCOPA).</li> <li>* The institution of an anti-corruption hotline.</li> <li>* The formal adoption of the King Code of Governance Principles for South Africa, 2009 ("King III").</li> </ul>
<b>1.11 Terms of reference for board committees</b>				
1.11.1	Chapter 2 par 127	The integrated report should disclose the terms of reference of board committees, as approved by the board.	Yes	The terms of reference for board committees are reflected in the City's system of delegations, as required by legislation (Section 59 of the Municipal Systems Act (Act 32 of 2000)).

## Annexure C: King III disclosure checklist – integrated reporting

No	King III reference	King III disclosure requirement	Is the entity currently disclosing this information? Yes/no	Current status of information, and how it will be treated in the integrated report
<b>1.12 Ethics performance</b>				
1.12.1	Chapter 1 par 49	The company's ethics performance should be disclosed.	Yes	See point 1.10.1 above.
<b>1.13 IT reporting</b>				
1.13.1	Chapter 5 par 9	IT reporting included in the integrated report by the board should be complete, timely, relevant, accurate and accessible.	Yes	The City operates its IT business in the context of the adopted IT governance framework. The IT governance framework is in line with the King III principles.
<b>1.14 Commentary on financial results</b>				
1.14.1	Chapter 9 par 9	The board should include commentary on the company's financial results, which enables stakeholders to make informed assessments of the company's economic value, and gives insight into the prospects for future value creation and the board's assessment of the key risks that may limit those prospects.	Yes	Reflected in the annual financial statements.

## Annexure D: Council and committee meetings held

Year	Meeting	Ordinary	Special	Total
2010	Finance	4		4
	Housing	4		4
	Utilities	4		4
	Corporate Services and Human Resources	4		4
	Planning and Environment	4	1	5
	Health	4		4
	Economic, Social Development and Tourism	4	1	5
	Community Services	4		4
	Safety and Security	4		4
	Transport, Roads and Stormwater	4	1	5
	Mayoral Committee	10		10
	Council	4		4
2011	Finance	5		5
	Housing	5		5
	Utilities	5	1	6
	Corporate Services and Human Resources	5		5
	Planning and Environment	5		5
	Health	5		5
	Economic, Social Development and Tourism	5		5
	Community Services	5		5
	Safety and Security	5	1	6
	Mayoral Committee	9	3	12
	Council	5	2	7

INTRODUCTION

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CHAPTER THREE

CHAPTER FOUR

CHAPTER FIVE

ANNEXURES



## List of abbreviations and acronyms used in this report

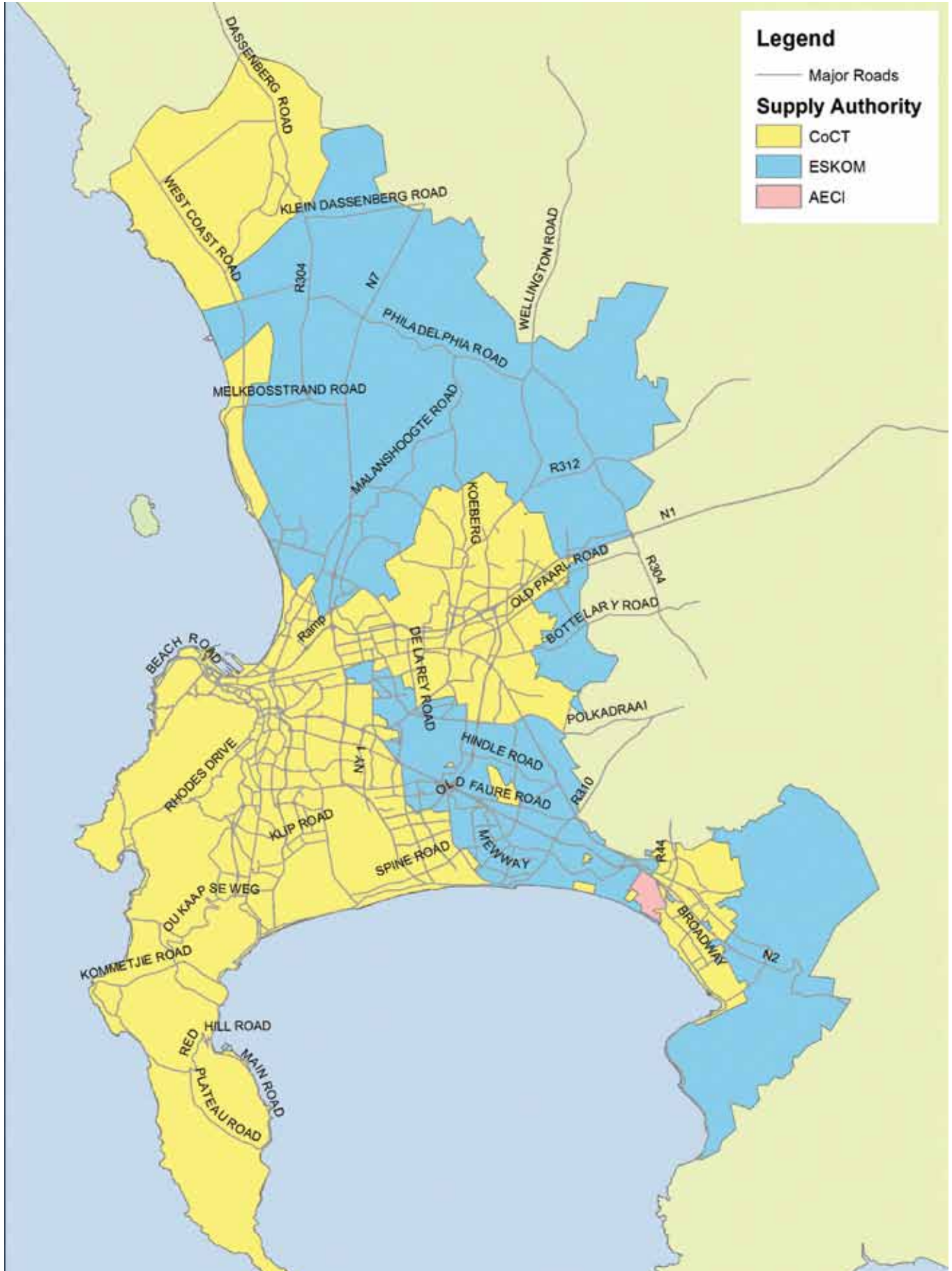
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<b>AARTO</b>	Administrative Adjudication of Road Traffic Offences Act (Act 46 of 1998)
<b>AET</b>	adult education and training
<b>AOD</b>	alcohol and other drugs
<b>AQMP</b>	Air Quality Management Plan
<b>ART</b>	antiretroviral therapy
<b>BER</b>	Bureau for Economic Research
<b>BESA</b>	Bond Exchange of South Africa
<b>BNG</b>	Breaking New Ground
<b>BOD</b>	burden of disease
<b>BRT</b>	bus rapid transit
<b>CCTV</b>	closed-circuit television
<b>CFR</b>	Cape Floristic Region
<b>CHC</b>	community health centre
<b>CIVOC</b>	Civilian Oversight Committee
<b>CoGTA</b>	Department of Cooperative Governance and Traditional Affairs
<b>COHSASA</b>	Council for Health Service Accreditation of South Africa
<b>CPI</b>	consumer price index
<b>CRUs</b>	community residential units
<b>CSA</b>	control self-assessment
<b>CTICC</b>	Cape Town International Convention Centre
<b>CTSDF</b>	Cape Town Spatial Development Framework
<b>CTZS</b>	Cape Town Zoning Scheme
<b>DMTN</b>	domestic medium-term note
<b>DORA</b>	Division of Revenue Act
<b>DWA</b>	Department of Water Affairs
<b>ECAP</b>	Energy and Climate Change Action Plan
<b>EMF</b>	environmental management framework
<b>EMT</b>	Executive Management Team
<b>EPWP</b>	Expanded Public Works Programme
<b>FMS</b>	freeway management system
<b>GDP</b>	gross domestic product
<b>GIS</b>	geographic information systems
<b>HIV</b>	human immunodeficiency virus
<b>HSDG</b>	Human Settlements Development Grant
<b>IAMP</b>	integrated asset management plan
<b>ICT</b>	information and communications technology
<b>IDP</b>	Integrated Development Plan
<b>IIA</b>	Institute of Internal Auditors
<b>IMATU</b>	Independent Municipal and Allied Trade Union
<b>INEP</b>	Integrated National Electrification Programme
<b>IOC</b>	International Olympic Committee
<b>IRM</b>	integrated risk management
<b>IRPTN</b>	integrated rapid public transport network
<b>IRT</b>	integrated rapid transit
<b>IT</b>	information technology
<b>ITP</b>	Integrated Transport Plan
<b>IWM</b>	integrated waste management

## List of abbreviations and acronyms used in this report

<b>JSE</b>	JSE Limited
<b>KAPS</b>	Khayelitsha Air Pollution Strategy
<b>KCT</b>	Khayelitsha Community Trust
<b>LCU</b>	live capturing unit
<b>LED</b>	local economic development
<b>LUPO</b>	Land Use Planning Ordinance
<b>Mayco</b>	Mayoral Committee
<b>MFMA</b>	Municipal Finance Management Act (Act 56 of 2003)
<b>MIG</b>	Municipal Infrastructure Grant
<b>MoU</b>	memorandum of understanding
<b>MRF</b>	material recovery facility
<b>MTREF</b>	Medium-term Revenue and Expenditure Framework
<b>NERSA</b>	National Energy Regulator of South Africa
<b>NGO</b>	non-governmental organisation
<b>NHFC</b>	National Housing Finance Corporation
<b>NMT</b>	non-motorised transport
<b>NWMS</b>	National Waste Management Strategy
<b>ODAC</b>	Open Democracy Advice Centre
<b>ORP</b>	organisational realignment process
<b>PHC</b>	primary health care
<b>PPP</b>	public-private partnership
<b>PRASA</b>	Passenger Rail Agency of South Africa
<b>RiskCo</b>	Risk Committee
<b>SADC</b>	Southern African Development Community
<b>SAHRC</b>	South African Human Rights Commission
<b>SAMWU</b>	South African Municipal Workers' Union
<b>SANRAL</b>	South African National Roads Agency Limited
<b>SAPS</b>	South African Police Service
<b>SARB</b>	South African Reserve Bank
<b>SCOPA</b>	Standing Committee on Public Accounts
<b>SDP</b>	spatial development plan
<b>SFA</b>	strategic focus area
<b>STI</b>	sexually transmitted infection
<b>SMME</b>	small, medium and micro-sized enterprise
<b>TB</b>	tuberculosis
<b>TETRA</b>	terrestrial trunked radio
<b>TRA</b>	temporary relocation area
<b>URP</b>	Urban Renewal Programme
<b>USDG</b>	Urban Settlements Development Grant
<b>VPUU</b>	Violence Prevention through Urban Upgrading
<b>WCWSS</b>	Western Cape water supply system
<b>WDM</b>	water demand management
<b>WDS</b>	water demand strategy
<b>WHO</b>	World Health Organisation
<b>WWTW</b>	wastewater treatment works





Every plan,  
strategy and  
action has  
the ultimate  
purpose of  
making our  
city a great  
place to live,  
work, visit  
and invest.

City of Cape Town  
Annual report 2010/2011



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