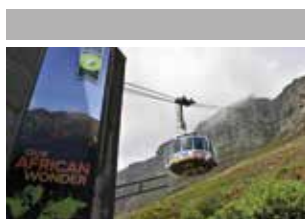
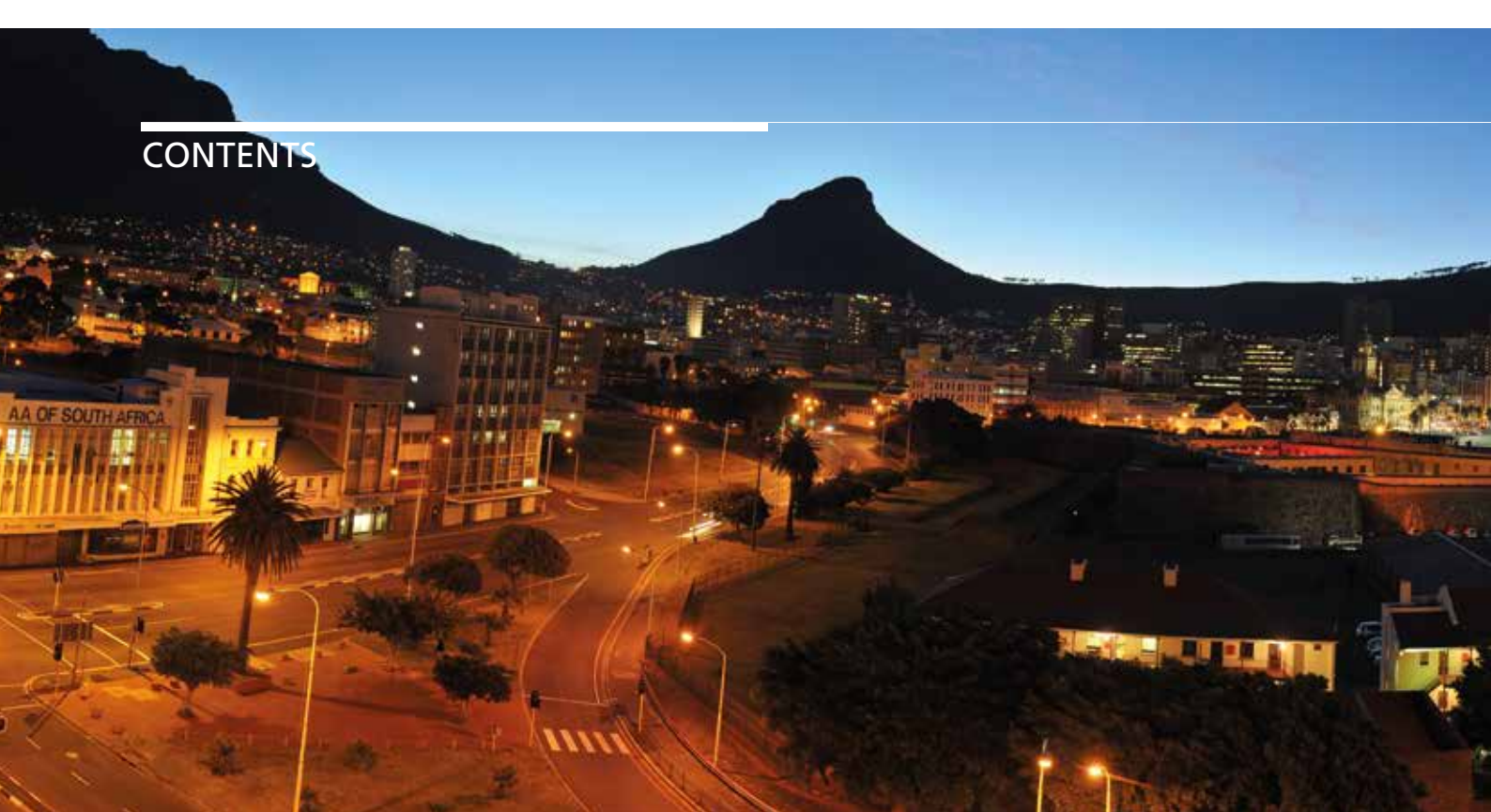




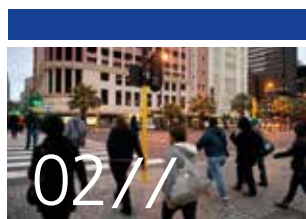
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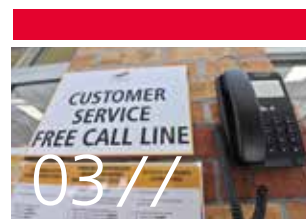
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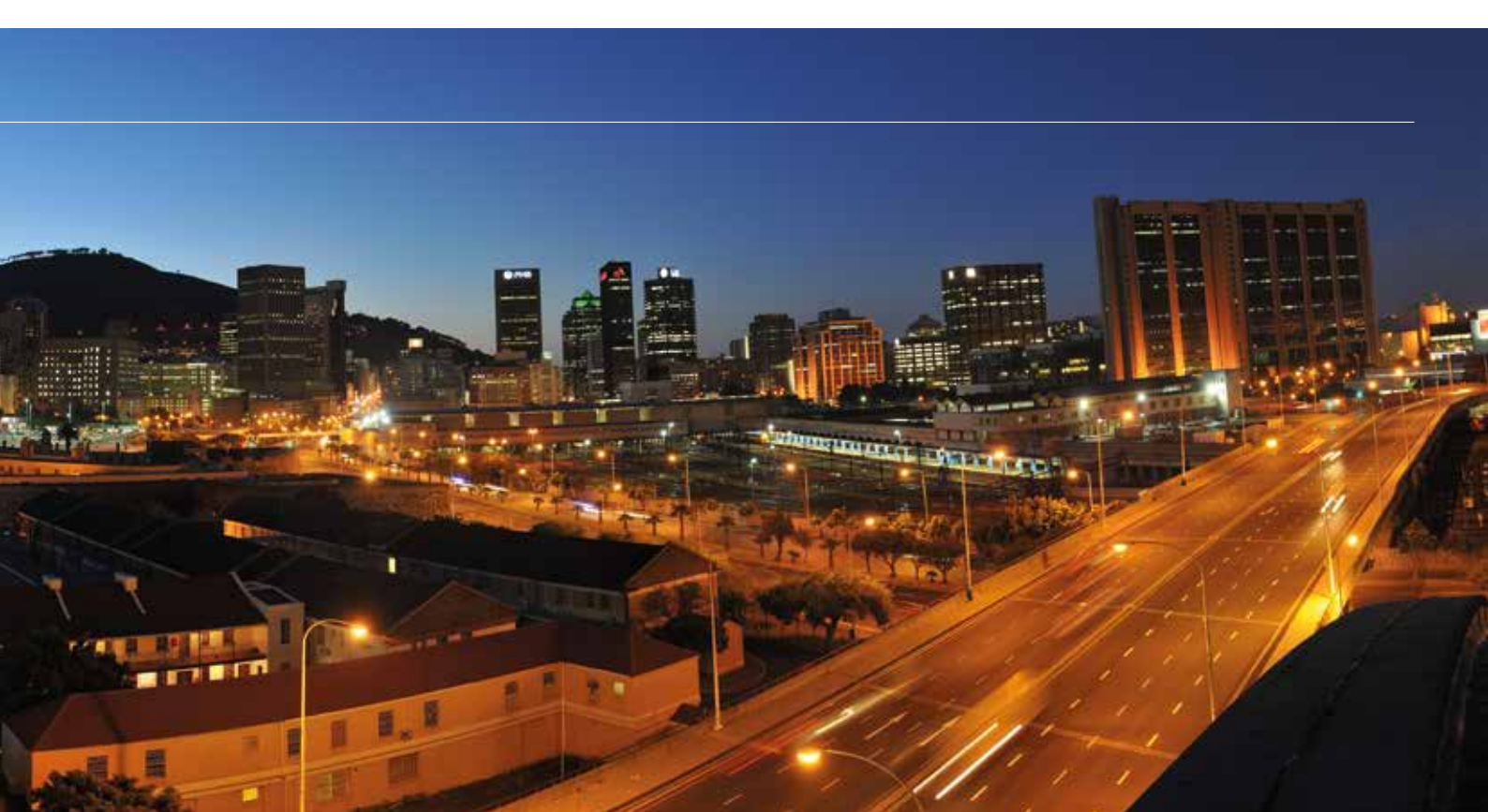
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VIEW this annual report online

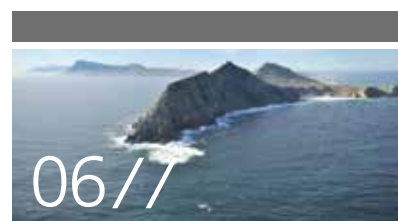


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## 2011/12 HIGHLIGHTS



**7 141** HOUSING OPPORTUNITIES PROVIDED

The City delivered 81% of its targeted (8 800) housing opportunities for the year.

**26 403**

**EPWP JOB OPPORTUNITIES CREATED**

The City's Expanded Public Works Programme (EPWP) continues to create jobs for Capetonians. Measures are being introduced to improve performance in this regard even further.



**5,1% DECREASE IN UNACCOUNTED-FOR WATER LOSSES** (22,2% TO 17,1%)

This is well ahead of the 20% target, and demonstrates the effectiveness of the City's water loss reduction strategy.

**LAUNCH OF INTEGRATED SPATIAL INFORMATION SYSTEM (ISIS)**

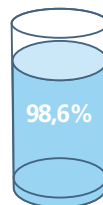
A world first for the City of Cape Town, this integrated property data management system enables better management of all transactions relating to the various properties or land parcels located in the municipal area.



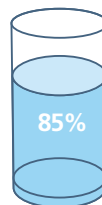
**INCREASING ACCESS TO WATER**

A total of 277 taps were installed, exceeding the City's target of 250.

**WATER QUALITY RECOGNISED**



Drinking water achieved a Blue Drop score of 98,6%.



Wastewater plants achieved a Green Drop score of 85%.

**IMPROVED SANITATION FOR INFORMAL SETTLEMENT CUSTOMERS**

The City far exceeded its target of installing 2 000 sanitation service points in informal settlements, delivering a total of

**3 354** TOILET INSTALLATIONS



**SUCCESSFULLY MINIMISING WASTE**

12,13% (243 818 tons) of the waste generated across the city during the 2011/12 financial year was successfully diverted from landfill sites. This is well ahead of the 10,95% target for the year.

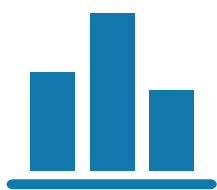
**MAKING CITY ACCESS A REALITY FOR ALL**

The City installed 57 FreeCall lines in outlying areas and disadvantaged communities in Cape Town – effectively bringing the administration closer to its customers.

**IRT GETS CAPETONIANS MOVING**

The City's integrated rapid transit initiative has gained significant traction, with 92% (R827 million) of the budgeted capital invested in phase 1A of the project.





## CAPITAL BUDGET WELL INVESTED

Altogether 92,8% (R4,233 billion) of the City's capital budget was spent during the 2011/12 financial year.

## CITY MAINTAINS EXCELLENT CREDIT RATING

The City continues to maintain its high investment ratings (P-1.za and Aa2.za), which are the highest that can be obtained by any South African municipality.

## GAP HOUSING ACCESSIBLE TO MORE

The City raised its qualifying household income level for access to gap housing from R7 500 to R15 000 – making affordable housing accessible to more Capetonians.

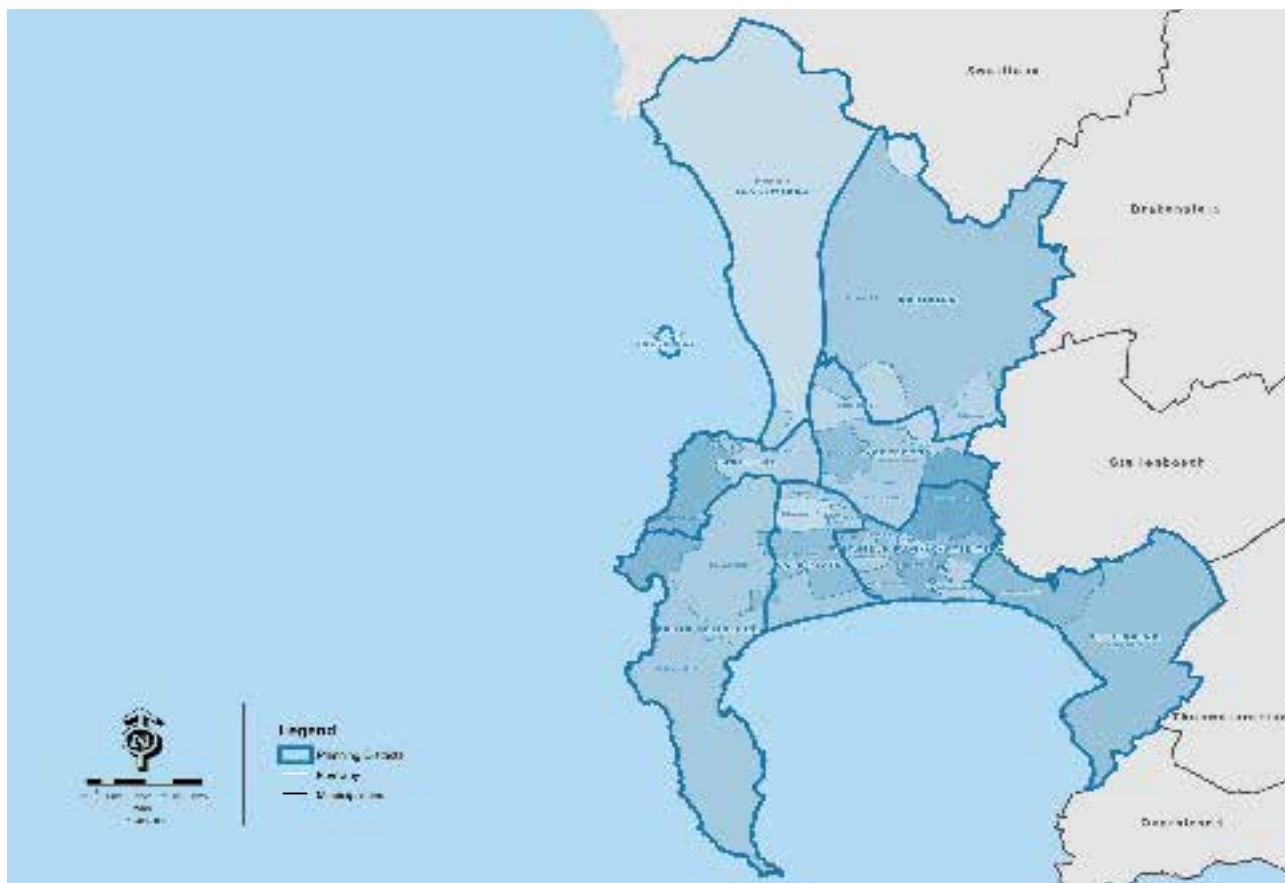
## CITY CONTINUES INVESTING IN SERVING ITS CITIZENS

- R842 million in rates discounts, indigent grants and rebates for senior citizens, persons with disabilities and agricultural operations
- More than R280 million in funding from Western Cape Provincial Government (Province) for primary health-care services
- R1,258 billion invested in free basic services to citizens



## CITY SERVICE DELIVERY KEEPS IMPROVING

The annual Community Satisfaction Survey showed that residents and businesses think that the City's service delivery is improving in most areas.



City of Cape Town Subcouncils and Planning Districts

## MESSAGE FROM THE EXECUTIVE MAYOR



During the 2011/12 financial year the City of Cape Town continued to cement its position as the best-run metro in South Africa. The City received its ninth consecutive unqualified audit, and is now nationally recognised for its prudent and sustainable financial management.

My Executive Management Team and I have focused intently on delivering and, where possible, exceeding the mandate given to us by the people of Cape Town, since taking office in July 2011. By working steadfastly towards achieving the objectives set for the last year of the City's five-year Integrated Development Plan (IDP), we have achieved significant successes over the past 12 months.

Key to the realisation of our vision for Cape Town is the implementation of a number of strategies aimed at making our great city even greater. These are all based on the five-year IDP, which is designed to help us redress the imbalances of the past for lasting reconciliation that embraces and celebrates our diversity while delivering opportunities and services for all.

For this reason, the first key step we took after being voted in for our term of office was to develop a progressive budget, that prioritises infrastructure-led growth and can give effect to our vision of creating an economically stable and enabling environment for investment and job growth.

To maximise the finances at our disposal, we then ensured the effectiveness of our human resources by immediately reconstituting the City's Mayoral Committee to create clearly defined and productive portfolios with visionary objectives and a shared commitment to working together for the good of all Capetonians.

In the 12 months since then, the prudence of this local government's philosophy and approach has been repeatedly confirmed through an array of achievements far too long to list in this foreword, but which are detailed throughout this annual report.

Among the more notable successes of the past year was the completion of the first phase of the City's Integrated Transport Plan (IRT). As a result, we have already mapped out our intention to extend the IRT to the city's south-east by the end of 2013 to link Khayelitsha and Mitchells Plain with the CBD and thereby provide people with access to the levels of connectivity they need to change their lives.

We regard partnerships with other spheres of government, the private sector and additional organisations as important for the development of the city. The finalisation of the City's Economic Development Partnership (EDP) is another significant route marker on our journey towards building on Cape Town's competitive advantages and generating more job creation.

Our redress policy is already helping to transform our city with our various land restitution successes serving as a good example of how cities can, and should, be the leaders of change in society.

We continue to support Cape Town's neediest citizens, with hundreds of millions of rands in rates rebates, as well as free utilities and services to make life more bearable for the poorest members of our communities.

While none of our many initiatives have been undertaken for the purpose of garnering recognition, the work being done across the City has resulted in numerous national and international accolades and achievements, not least of which are: winning the bid to be the World Design Capital in 2014; having Table Mountain named one of the New7Wonders of Nature; being listed on the *New York Times*' Top 10 list of Hip Cities That Think About How They Work; being named best tourism destination in TripAdvisor's Traveller's Choice Awards, and being named by the Abroad101 survey as the 10th most popular destination for American students to study abroad.

For us these are not just awards; they are evidence that this really is working for you, and is succeeding in building Cape Town into the African city of the future, today. I am confident that this report provides ample evidence that, despite having been in office for a relatively short period, this administration has already managed to achieve a great deal. We know that there is still much work to be done, but the foundations have certainly been laid on which we will be able to work – in partnership with all the people, businesses and stakeholders of Cape Town – to create the city we all desire.

*P. de Lille*

**Alderman Patricia de Lille**  
Executive Mayor

## CITY MANAGER'S STATEMENT



The City of Cape Town's annual report for the 2011/12 financial year is far more than merely an overview of the work done and objectives delivered by the City over the 12-month reporting period. It also offers insight into this administration's commitment to provide the infrastructure, services and environment that will over time enable all the people of Cape Town to achieve their aspirations.

As the second integrated annual report produced by the City, the aim of this document is twofold. Firstly, it aims to present the citizens of Cape Town with all the information they need to assess the administration's performance. Secondly, it seeks to offer a longer-term perspective, so that readers clearly understand that this City is not only working for them in terms of delivering on their current needs, but also takes a long-term view of its responsibilities to the people and environment of Cape Town.

For those of us who are employed by the City, and have the privilege of working for the people of Cape Town, this report is an honest, transparent and auditable means of measuring our own performance, learning from what we have achieved over the past 12 months, and identifying areas of our delivery that may require further attention in the coming year.

In this way, the City of Cape Town's annual report represents something of a constant work in progress. It is the City's way of showing that we continue to work tirelessly for the people of Cape Town. And while this report is divided into a number of sections to make the information easier to access, the City's approach to everything it does is highly collaborative and integrated.

We know that, as an administration, we are only as strong as our weakest link. That is why we are committed to working together, as a cohesive team, to keep building

Your support, understanding and trust is what allows the City of Cape Town to continue performing as one of the leading local administrations in South Africa

on the exceptional reputation that our beautiful city has earned as one of the leading places in the world to live, work and visit.

I would like to take this opportunity to thank every one of my colleagues at the City of Cape Town for the commitment, dedication and passion they continue to demonstrate in helping the City to deliver on its promises to the people of Cape Town, and move ever closer to realising its vision of helping to create an inclusive society that offers opportunities for all.

Thank you also to our Council; the Executive Mayor, Alderman Patricia de Lille; the Mayoral Committee and the City's Executive Management Team for always keeping us on course and creating an enabling environment for the achievement of this vision.

Finally, my heartfelt thanks to the people of Cape Town. While the going may not always be as smooth as we all might wish, your support, understanding and trust is what allows the City of Cape Town to continue performing as one of the leading local administrations in South Africa.

We remain absolutely committed to retaining this leadership position – not for the sake of recognition, but because being considered a leader means that we are in fact delivering and succeeding in making sure that this City really does 'work for you'.

A stylized, handwritten signature in black ink, belonging to Achmat Ebrahim. The signature is fluid and cursive, with a large, prominent loop at the beginning.

**Achmat Ebrahim**  
City Manager

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## OVERVIEW OF THE CITY OF CAPE TOWN







The CTSDF is  
fundamental to the  
City's achievement  
of its sustainability  
objectives

## OVERVIEW OF THE CITY OF CAPE TOWN

Cape Town is the oldest city in South Africa, and has the second-biggest population of all the cities in the country. It is also the legislative capital of South Africa, and the administrative and economic centre of the Western Cape. The city's vast natural and cultural heritage and attractions make it the most visited tourist destination in all of Africa. This, in turn, has contributed to Cape Town becoming South Africa's third-largest economic hub and a vital driver of African and South African economic growth and development.

Cape Town's population has increased by close to 30% in ten years, from 2,8 million (Census 2001) to 3,7 million (Census 2011). This poses significant challenges to its effective management by the City of Cape Town. By 2030, the city's population is projected to reach approximately 4,2 million, which will almost certainly exacerbate these challenges. However, the City of Cape Town remains absolutely committed to continuing to deliver the services and infrastructure required by all members of the city's steadily growing citizenship. More information regarding Cape Town's population growth and socio-economic profile can be obtained from the City of Cape Town's website at <http://www.capetown.gov.za/en/stats/Pages/default.aspx>.

For the reporting period to which this annual report pertains, the IDP reflected 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 2011/12 annual report offers an overview of the City's achievements and challenges in terms of meeting the strategic objectives set out in the IDP. While this report is structured in line with the eight SFAs of the IDP, the City's approach to achieving these objectives is highly integrated and cooperative.

### A PLAN FOR THE FUTURE

The Cape Town Spatial Development Framework (CTSDF) was approved by Council on 28 May 2012. This newly updated CTSDF was also adopted by the Western Cape Minister of Environmental Affairs and Development Planning in May 2012. It has replaced the previous CTSDF, which was adopted by Council in June 2011.

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 district-level spatial development plans (SDPs), which include environmental management frameworks (EMFs), have been prepared for Cape Town's eight planning districts. These are in line with, and informed by, the citywide spatial development framework (SDF). In early 2012, the City also approved a Densification Policy in support of its IDP objectives and the objectives of the CTSDF.

The CTSDF has replaced the outdated guide and structure plans, and, in so doing, has streamlined the policy environment within which city planning decisions are made. The CTSDF and the SDPs will also inform the preparation of future annual IDP reviews as well as the development of future five-year IDPs.

### A CITY WITH VISION

The City of Cape Town has a vision to create a more inclusive society by working towards greater economic freedom for all people of the city. This requires an increase in opportunities by creating an economically enabling environment, in which investment can be optimised and jobs can be created. To achieve this going forward, the City of Cape Town will build on the strategic focus areas it has identified as the cornerstones of a successful and thriving city and which form the foundation of its five-year Integrated Development Plan (IDP).

**IMPORTANT NOTE:** The 2011/12 annual report provides feedback on the City's performance in line with its previous IDP. As such, this report is structured according to the eight strategic focus areas that underpinned the City's operations and service delivery until mid 2012.

### 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, which are outlined in the City's IDP. The five-year IDP is the City's strategic guideline, and informs all planning, management, development and service delivery actions.



The plans and policies of the SDF are intended, among other things, to:

- indicate the areas of Cape Town 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;
- guide the assessment of development applications submitted by property developers; and
- guide changes in land use rights.

## THE CTSDF AS A STRATEGY FOR SUSTAINABILITY

The CTSDF is fundamental to the City's achievement of its sustainability objectives. To this end, it is underpinned by a clearly defined set of strategies and substrategies. These are in turn 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:

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 urban development</li> <li>• Support incremental development processes</li> <li>• Encourage a more compact form of 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>• 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>• Enhance the unique sense of space and the quality of the built form of Cape Town</li> <li>• Enhance the value of heritage resources and scenic routes</li> <li>• Promote accessible, citywide destination places</li> </ul>

Table 1.1: Cape Town Spatial Development Framework strategies and substrategies

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

## OVERVIEW OF THE CITY OF CAPE TOWN

### A NEW, SINGLE ZONING SCHEME FOR CAPE TOWN

The City has adopted a single Cape Town Zoning Scheme (CTZS) and a new, converted zoning map to replace the previous scheme, which was becoming increasingly ineffective. The new scheme involves a move from the previous 425 zones contained in 27 schemes, to a total of 35 base zones. This conversion was undertaken according to the principle of 'best fit' between the old and the new zone of a property, and in a way that ensures no significant loss of property rights.

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.

Given the overarching purpose of a zoning scheme to determine land use rights and provide for controls over such rights, the consolidated scheme sees each property in the city allocated to one of the following base zones:

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

Table 1.2: Base zones in the new, single Cape Town Zoning Scheme



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 SDFs or policy plans.

For more detail on the new CTZS, visit <http://www.capetown.gov.za/en/planningandbuilding/Pages/UCZS.aspx>.

## A NEW MUNICIPAL PLANNING BYLAW

During the period under review the City gave its approval for the drafting of a municipal planning bylaw to begin. The current planning legislation regulating land use – the Land Use Planning Ordinance (No. 15 of 1985) (LUPO) – is considered to be partially in conflict with the planning framework as set out in the Constitution. To address this, the new planning bylaw will make clear provision for most of the procedural and decision-making powers as set out in LUPO, and will improve on such procedures and decision-making mechanisms. This is also considered to be the ideal opportunity to reconsider the inefficiencies in the current laws, thereby reducing much of the red tape currently encountered in this regard.

## THE CAPE TOWN DENSIFICATION POLICY

During the 2011/12 financial year, the City of Cape Town adopted a Densification Policy, which aims to improve the City's efficiency and sustainability as well as enhance the quality of the built environment through appropriate densification processes and approaches. The policy is designed to achieve a minimum average gross base density of 25 dwelling units per hectare across the city. It does not, however, follow a one-size-fits-all approach, but rather focuses on identifying all factors that need to be taken into consideration when determining the location, form and extent of densification in each region or area of the city.

## INTEGRATED REPORTING

This 2011/12 annual report is the second in which the City has consciously attempted formally to align its reporting more closely with its integrated operational and strategic approach. To this end, this report attempts not only to provide information on the City's financial performance, but also to outline its achievements and challenges around all its identified material sustainability issues.

This reporting approach is in keeping with the City's commitment to adhering to the requirements and recommendations of the King III report, which sets out international best practices for the governance of private and public organisations, including a recommendation that these organisations undertake integrated reporting. However, the City acknowledges that the principles of formal integrated reporting are relatively new to the administration and, as such, this form of reporting will continue to be refined and enhanced in future annual reports.

In order to achieve the desired level of integrated reporting, the following material sustainability issues are covered in this 2011/12 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

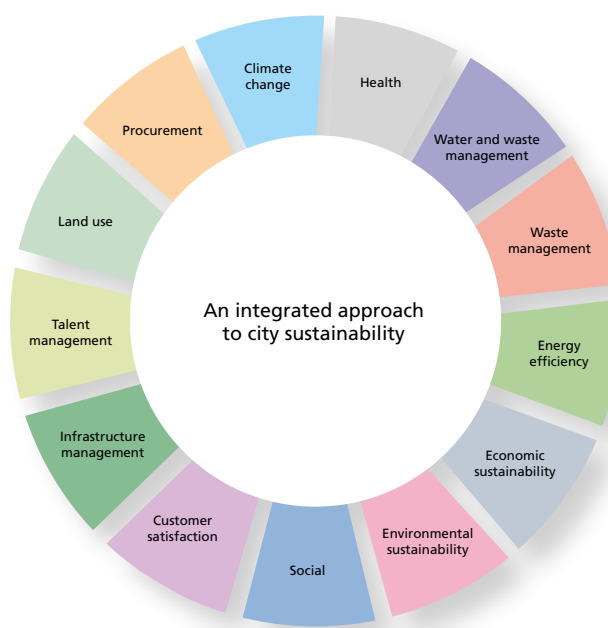


Figure 1.1: Sustainability issues covered in this 2011/12 annual report

While these sustainability issues have been informally addressed in previous annual reports, this report builds on the efforts of the 2010/11 City of Cape Town annual report to integrate all material issues more fully with the reporting process.

## REVIEW OF THE 2011/12 FINANCIAL YEAR





An aerial photograph of a coastal city. In the foreground, there is a power station with several large transformers and a small building. The middle ground shows a densely populated hillside with many houses. In the background, a large ship is visible in the harbor, and the ocean extends to the horizon under a clear sky.

We created 26 403  
job opportunities  
through the  
Expanded Public  
Works Programme

# Shared economic growth and development

## Key objectives

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

## Main achievements in 2011/12

- Approved the Cape Town Activa initiative, an entrepreneurial ecosystem development project to coordinate the enterprise and employment support environment
- Created 26 403 job opportunities through the Expanded Public Works Programme (EPWP)
- Finalised 83% of land use management applications within statutory timeframes
- Finalised 69,32% of building plans within statutory timeframes
- Cape Town Spatial Development Framework (CTSDF) approved by Council on 28 May 2012
- City of Cape Town Draft Economic Development Strategy completed
- Conceptualised and completed the first draft of the Atlantis Revitalisation Framework
- Spent 92,8% (R4,233 billion) of the City's budgeted capital
- Expansion of the Cape Town International Convention Centre (CTICC), which is an entity of the City, approved with an associated City budget allocation of R700 million



The City is committed to creating an enabling environment for economic growth and job creation.



## About the City Manager and Deputy City Manager Directorates

The City Manager heads up the administration of the City of Cape Town, and chairs the Executive Management Team responsible for decision making, strategy and policy. The Deputy City Manager acts for the City Manager when he is out of office, and is responsible for ensuring effective service delivery – specifically the effective implementation of the capital programme, Expanded Public Works Programme (EPWP), World Design Capital 2014 (WDC2014) and business processes around the Integrated Development Plan (IDP) – including line responsibility for the departments of Executive Support, Governance and Interface, the Ombudsman, Forensics, IDP/Organisational Performance Measurement, Internal Audit, Legal Services, Integrated Risk Management (IRM) and EPWP. The Deputy City Manager Directorate is primarily responsible for the Strategic Policy Unit, which acts as a strategic coordinating point that ensures that the City of Cape Town's electoral mandate is implemented. It includes the following departments:

- Executive Support
- Governance and Interface
- Forensic Services
- Ombudsman
- IDP
- Internal Audit
- Legal Services
- IRM

### A PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

The City of Cape Town must act as a leader in social and economic development. In that regard, the City has undertaken, in line with good practice nationally, to complete an Economic Development Strategy (EDS). The EDS is intended to act as a strategic document that informs the City's development plans and actions at a strategic and policy level. It is to act as a medium- to long-term plan that identifies economic strengths, weaknesses and opportunities.

The first draft of the EDS was completed as a project under the portfolio Economic, Environmental and Spatial Planning in 2011. After the election of the new Council in May 2011, it undertook to reorientate its strategic five-year plan and 30-year plan through the IDP and the City Development Strategy (CDS). An additional development saw the City's CDS process combine with the Western Cape Government's Future Cape process, to create a common

long-term vision for the city and region. As such, the City has adopted a carefully considered, layered approach to broader strategy through the five-year IDP and the 30-year proposed OneCape2040 document. This layered strategy pivots around the five pillars of creating the opportunity city, the safe city, the inclusive city, the caring city and the well-run city.

Given this layered approach, the draft EDS has been held over until all long-term, broad strategic processes are completed, to maintain consistency among strategy and planning documents. The rationale behind this is that the draft EDS, which was created for a different strategic framework, may be inconsistent with the framework of the new Council as constituted in 2011. The revised draft EDS will present a clear statement of intent around economic development to both the private sector and the organisation of the City. Such an approach will allow the revised EDS to incorporate the stated economic

## REVIEW OF THE 2011/12 FINANCIAL YEAR

directives of the IDP and other documentation, as well as to fit into other processes of seeking to create the greatest amount of opportunities possible for the people of Cape Town.

### IMPROVING ACCESS TO ECONOMIC OPPORTUNITIES

The City is committed to planning for employment and supporting economic growth by responding appropriately to the spatial needs and requirements of the economic sectors that are attracted to, and function within, Cape Town. As part of this commitment, land use policies, mechanisms and economic incentives are continually introduced to promote shared, inclusive economic growth. In an effort to correct spatial imbalances, the City supports employment-generating development in locations that are accessible to all areas – particularly those that have been historically disenfranchised. The City is also working to harness public investment as well as interventions to generate job creation and development opportunities in these areas.

Perhaps most importantly, the City has prioritised investment in the improvement of its public transport systems and transport linkages. This is primarily aimed at facilitating more convenient and affordable access to employment opportunities, natural resources and social amenities. In support of these investments, the CTSDf has adopted an integrated approach towards land use, economic development and transport planning. In addition, the City actively seeks to promote regional, national and international connectivity by engaging with the relevant authorities to ensure that Cape Town's function within the Western Cape is strengthened through sustained investment in strategic infrastructure such as Cape Town's airport, port, transport and logistics systems, and broadband networks.

The substrategies and land use policies that will be used to plan for employment and improve access to economic opportunities are outlined in table 2.1.1. For more details on these substrategies and policies, visit [www.capetown.gov.za/SDF](http://www.capetown.gov.za/SDF).

Substrategy	Policy no.	Policy statement
Promote inclusive, shared economic growth and development	P1	Maintain and enhance the features of Cape Town that attract investors, visitors and skilled labour
	P2	Support investors through improved information, cross-sectoral planning and removal of red tape
	P3	Introduce land use policies and mechanisms that will support the development of small business (both informal and formal)
	P4	Encourage area specialisation and the development of a diverse, mutually supportive system of economic areas
	P5	Encourage the use of available economic incentives
	P6	Promote regional economic planning
Address spatial economic imbalances	P7	Unlock employment-generating opportunities within the Metro Southeast and Atlantis
	P8	Support private-sector development initiatives in locations that are easily accessible from the Metro Southeast
	P9	Improve public transport links between the Metro Southeast and the main economic nodes of the city
Establish an integrated, citywide public transport system that supports the accessibility grid	P10	Create a hierarchy of integrated public transport services related to the accessibility grid
	P11	Ensure that new urban development is supported by appropriate public infrastructure and services
	P12	Lobby for the introduction and/or expansion of passenger rail services
	P13	Include walking and cycling as essential components of land use planning
	P14	Introduce parking policies to encourage use of the most context-specific and appropriate modal travel choice
Integrate land use, economic and transport planning	P15	Reinforce and enhance metropolitan development corridors
	P16	Encourage medium- to higher-density forms of urban development to locate on or adjacent to activity routes, development routes and activity streets
Support the rationalisation, upgrade and/or development of economic gateways, and manage land uses around them appropriately	P17	Support the development of an integrated system of airports and appropriate surrounding land uses
	P18	Create and manage a functional interface between ports/harbours and their surrounding areas

Table 2.1.1: Substrategies and land use policies

## WORKING TO REDUCE UNEMPLOYMENT

The City continues to participate actively in the national EPWP, and created 26 403 jobs as part of this programme during the year under review. Measures are continuously being introduced to create a greater focus on labour-intensive methodologies, and identifying major projects for EPWP implementation.

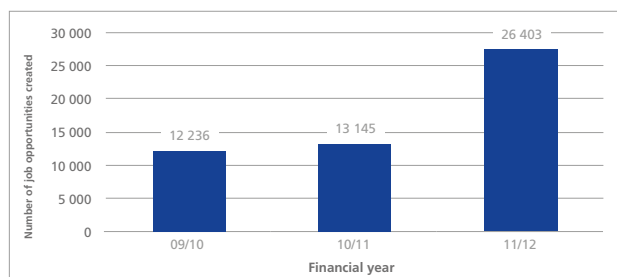


Figure 2.1.1: Job opportunities created through the Expanded Public Works Programme

## ENCOURAGING DEVELOPMENT

The City remains committed to encouraging and enabling the appropriate development of Cape Town's built environment. During the period under review, many of the development application processes were further revised and streamlined. The City is currently developing a new electronic development management system (workflow and document management) for all development applications in order to improve the efficiency within departments. In the 2011/12 financial year:

- 83% of land use applications received were finalised within the timeframes agreed by the City; and
- 69,32% of building development applications were finalised within the agreed timeframes. (This is below target due to an application backlog and remaining bottlenecks in the processing system, which issues are being addressed.)

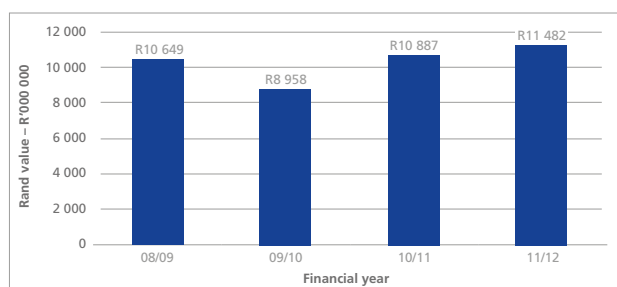


Figure 2.1.2: Rand value of building plans approved by the City of Cape Town

## PROMOTING INVESTMENT

In order to attract and facilitate investment in Cape Town, the City partners with entities such as Wesgro and various special-purpose vehicles (SPVs) to enable sustainable sector development interventions through training, enterprise development and trade and investment promotion for the City's priority economic sectors.

In 2011/12, approximately R2,7 billion worth of investment in Cape Town was facilitated via these mechanisms, significantly exceeding the predetermined investment target of R750 million. In addition to facilitating the city's economic development, these investments contributed to approximately 58% of the total jobs created during the period under review. The majority of these jobs are in high-value industries, such as financial services, renewable energy, film, business process outsourcing and call centres, engineering services, and creative industries.

The Philippi Economic Development Initiative (PEDI) also facilitated large amounts of private-sector investment in local city areas.

## ENABLING ENTREPRENEURSHIP

The City of Cape Town has embarked on a long-term strategy known as Cape Town Activa to create an enterprise development and employment support 'ecosystem'. The strategy draws on the successes achieved by the City of Barcelona with its Barcelona Activa model to become a competitive entrepreneurial centre. It seeks to ensure that all organisations and groups in Cape Town that can contribute to vibrant and dynamic entrepreneurial growth have access to the shared information and tools required to do so. It also aims to promote a spirit of cooperation in order to encourage development that benefits all.

Through the Cape Town Activa initiative, over 75 enterprise development and employment support organisations are now jointly promoting their resources and events on the online portal [www.capetownactiva.com](http://www.capetownactiva.com). Cape Town Activa can be accessed through the network of over 100 City libraries, which provide free internet access to citizens, ensuring that there is far greater promotion of the support network. This has also contributed to the simplification of the initiative, facilitating understanding for citizens, entrepreneurs and small businesses by providing a single point of contact for information and access to development programmes and support institutions.

## SUPPORTING THE INFORMAL ECONOMY

Economic opportunity in any particular location is closely related to the physical state of available space and infrastructure. In order to support Cape Town's significant informal economy, the City runs programmes to facilitate productive open spaces for the benefit of emerging entrepreneurs. These also seek to maximise the use of public infrastructure for the purpose of sustainable economic production.

Through these programmes, trading bays and/or markets have been made available to informal traders; emerging entrepreneurs now have access to affordable trading premises, and a substantial number of permanent and temporary job opportunities have been created. Furthermore, in partnership with non-governmental organisations (NGOs), training, technical support and income-generating opportunities have been created.

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### City plans to revitalise Atlantis

The steady socio-economic decline of Atlantis and surrounding areas in recent years prompted the City to develop a coordinated plan and approach to address the relevant issues, and align and coordinate all developmental efforts in the affected areas. The first draft of the Atlantis Revitalisation Framework (ARF) was completed in the third quarter of 2011, and tabled at both local and provincial levels, where further refinement and consultation of the framework was suggested. The plan is currently being refined according to the suggestions, and is supported by the formation of an intergovernmental steering committee and technical task team. Once completed, it is hoped that implementation will serve to drive the long-term revitalisation of Atlantis, and will restore the area to its previous status as a driver of economic and social development in Cape Town.

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#### TOURISM AND SUSTAINABILITY

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### About the Tourism, Events and Marketing Directorate

Team Cape Town markets and develops the city's tourism, events, arts and culture, and visitor offering through its strategic assets as well as internal and external partnerships to deliver economic growth, development and an open-opportunity city inclusive of all its citizens. The Directorate's primary strategic objective is to stimulate economic growth, development and attract investment via:

- increasing visitor numbers, additional iconic events, and innovative and creative arts and culture activities;
  - maximising operating budgets;
  - creating and facilitating partnerships and joint ventures;
  - planning, decision making and coordinated action between role players (spheres of government, state-owned enterprises, promotion and marketing agencies, the private sector and communities); and
  - facilitating and promoting sector transformation.
-



Cape Town remains a preferred destination for South African and international tourists and investors, as well as a competitive choice for global and local business and leisure tourism 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, the City recognises that sustainable development rather than a 'business-as-usual' approach is needed to continue to attract both tourists and investors. Positioning Cape Town as a global 'green city' is likely to promote tourism and ecotourism even further, as well as make it an attractive foreign investment destination.

### CREATING A GLOBAL TOURISM HUB

During the period under review, the expansion of the Cape Town International Convention Centre (CTICC) – a City asset – was approved. The expansion is set to create an additional 10 000 m<sup>2</sup> of convention and conference space, as well as 25 000 m<sup>2</sup> of mixed-use development and associated basement parking. The convention precinct will be further enhanced by the development of a private hospital with limited retail activity on the adjacent property. The future regeneration of Founder's Garden Province will connect the Artscape Theatre Centre with this convention precinct.

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. The City of Cape Town has approved a R700 million budget for the CTICC expansion. This comprises R550 million in share funding and R150 million for land acquisition. Province will contribute R170 million, and Conenco (the Cape Town Convention Centre Company (Pty) Ltd) a total of R100 million.



Cape Town remains a preferred destination for South African and international tourists and investors.



Hosting iconic events is a primary strategic objective to stimulate economic growth.



Table Mountain is a spectacular backdrop for Cape Town, and with its inauguration as one of the New7Wonders of Nature, it will bring direct economic and socio-economic benefits to both Cape Town and South Africa.

# Sustainable urban infrastructure and services

## Key objectives

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

## Main achievements in 2011/12

- 3 354 toilets installed for informal settlement residents
- 1 050 additional subsidised electricity connections installed
- Reduced the percentage of unaccounted-for water losses from 22,2% to 17,1%
- Installed 277 taps in informal settlements
- Diverted 12,13% of solid waste from City landfills through City waste management initiatives
- Achieved 98,6% compliance with SANS 241 drinking water requirements
- Spent R1,883 billion on infrastructure repairs and maintenance
- Door-to-door refuse collection and area-cleaning services for informal settlements
- Achieved a Blue Drop score of 97,61% for drinking water quality
- Achieved a Green Drop score of 85% for the City's wastewater treatment plants
- Opened a new waste drop-off facility in Mitchells Plain
- Achieved a repairs and maintenance budget allocation more than 10% of total operating expenditure – well above the 8% National Treasury benchmark



All formal domestic City clients receive a weekly kerbside refuse collection service.

## About the Utility Services Directorate

The Utility Services Directorate is committed to ensuring sustainable municipal infrastructure and services that will enable economic development and equitable access to basic services for all citizens of Cape Town. The Directorate comprises the following departments:

- **Solid Waste Management Department** – the service authority and regulator of waste management activities in Cape Town, including developing and implementing operational and support strategies to manage and minimise waste, ensure sustainable and affordable services, and comply with the objectives of the National Waste Management Strategy as per the National Environmental Management Waste Act
- **Water and Sanitation Department** – responsible for meeting the basic water and sanitation needs of Capetonians, as well as maintaining ageing infrastructure, limiting negative environmental impact, managing water resource scarcity, maintaining service standards and ensuring economic growth
- **Electricity Department** – tasked with meeting the growing electricity requirements of Cape Town's population, while addressing the backlog that exists in the electrification of informal settlements in some areas and backyard dwellers in formal areas

### MANAGING CITY ASSETS FOR A SUSTAINABLE FUTURE

The creation of integrated asset management plans (IAMPs) is a requirement of both National Treasury and the National Department of Cooperative Governance and Traditional Affairs. 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 only, as a result of budget constraints. However, 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. This expansion would include the following departments:

- Housing (for rental stock)
- Corporate Services (fleet and facilities management)
- Property Management
- 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. This should result in the generation and completion of IAMPs for all relevant City departments.



## REVIEW OF THE 2011/12 FINANCIAL YEAR

### Infrastructure investment for sustainable development

The year under review saw numerous utility and infrastructure services provided to many of the City's greenfield developments. Unfortunately, this has often been at the expense of necessary maintenance and upgrades of infrastructure services in existing urban areas.

The City has now reached a point at which it can no longer disregard the urgent need for infrastructure maintenance and upgrades in its older urban areas. Figure 2.2.1 indicates the infrastructure risk areas identified across the city. The high-risk electricity and high-risk wastewater categories are concentrated along a band stretching from the Cape Town central business district (CBD) to Bellville. Since these areas are already well serviced by the city's rail network, undertaking the necessary service infrastructure upgrades will have the added benefit of allowing their high development and land use intensification potential to be harnessed.

In response to this opportunity, the City's 2012/13 medium-term capital budget indicates that the majority of the City's capital budget has been allocated to infrastructure development, such as utility services, transport, roads and stormwater. The 2012/13 allocation represents just over R4,862 billion, or 77,15%, of the total budgetary allocation for the 2012/13 financial year.

In the outer years of this three-year medium-term budget, allocations have also been made for infrastructure development. These amount to R3,753 billion (75,1%) and R3,718 billion (78,9%) respectively for each of the financial years (2013/14 and 2014/15).

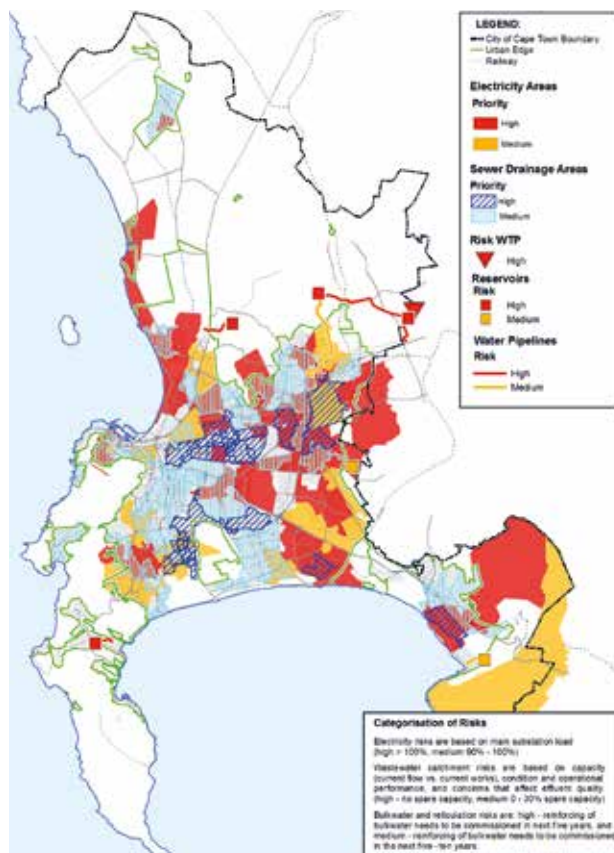


Figure 2.2.1: Major infrastructure risks within development areas

Description	Budget 2012/13 R'000	%	Budget 2013/14 R'000	%	Budget 2014/15 R'000	%
Community Services	206 235	3,27	201 964	4,04	190 584	4,05
Corporate Services	254 150	4,03	222 045	4,44	206 061	4,38
Economic, Environmental and Spatial Planning	52 522	0,83	43 927	0,88	49 927	1,06
Finance	48 975	0,78	6 061	0,12	5 358	0,11
City Health	28 568	0,45	23 966	0,48	14 166	0,30
Human Settlements	656 337	10,41	674 480	13,49	461 427	9,80
City Manager	224	0,004	222	0,004	222	0,005
Deputy City Manager	29 419	0,47	47 978	0,96	37 317	0,79
Safety and Security	57 179	0,91	15 127	0,30	15 127	0,32
Social Development and Early Childhood Development	14 277	0,23	10 960	0,22	11 010	0,23
Transport, Roads and Stormwater	2 593 751	41,15	1 407 754	28,15	1 490 831	31,65
Utility Services	2 268 705	35,99	2 345 729	46,91	2 227 492	47,30
Tourism, Events and Marketing	92 588	1,47	300	0,01	250	0,01
<b>Total capital expenditure</b>	<b>6 302 930</b>	<b>100,00</b>	<b>5 000 513</b>	<b>100</b>	<b>4 709 772</b>	<b>100,00</b>

Table 2.2.1: City of Cape Town's 2012/13 medium-term capital budget per directorate



The renewal of existing assets equates to R2,635 billion, or 44,5%, of the total 2012/13 capital budget, while new assets represent R3,291 billion, or 55,5%. It is important to note that asset renewal represents the upgrade or replacement of existing City-owned assets, while new assets will result in an increase in the asset base of the City.

### Total capital spend on City's infrastructure

	Audited outcome 2009/10 R'000	Audited outcome 2010/11 R'000	Audited outcome 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000	Budget 2014/15 R'000
Infrastructure – road transport	1 944 148	1 016 900	1 450 402	1 765 405	1 224 603	1 472 102
Infrastructure – electricity	521 978	626 546	763 991	919 337	1 070 317	1 019 016
Infrastructure – water	173 479	139 737	206 847	258 063	324 214	410 582
Infrastructure – sanitation	397 260	222 337	421 296	438 997	491 652	434 753
Infrastructure – other	1 720 758	921 633	1 322 079	412 404	247 843	166 658
<b>Total</b>	<b>4 757 623</b>	<b>2 927 153</b>	<b>4 164 615</b>	<b>3 794 206</b>	<b>3 358 629</b>	<b>3 503 111</b>
<b>Capital spend on new infrastructure</b>						
<b>Infrastructure – road transport</b>	<b>972 074</b>	<b>508 450</b>	<b>725 201</b>	<b>790 519</b>	<b>395 433</b>	<b>285 536</b>
Roads, pavements and bridges	942 489	474 610	623 454	710 475	332 667	227 930
Stormwater	29 585	33 840	101 747	80 044	62 766	57 606
<b>Infrastructure – electricity</b>	<b>268 053</b>	<b>404 244</b>	<b>326 273</b>	<b>491 192</b>	<b>707 997</b>	<b>643 039</b>
Transmission and reticulation	235 810	384 209	274 374	438 414	654 747	590 764
Street lighting	32 243	20 035	51 899	52 778	53 250	52 275
<b>Infrastructure – water</b>	<b>91 974</b>	<b>58 842</b>	<b>109 128</b>	<b>159 071</b>	<b>203 252</b>	<b>279 834</b>
Dams and reservoirs	21 030	4 706	12 338	45 063	78 100	88 700
Reticulation	70 944	54 136	96 790	114 008	125 152	191 134
<b>Infrastructure – sanitation</b>	<b>247 943</b>	<b>115 619</b>	<b>186 686</b>	<b>246 731</b>	<b>196 202</b>	<b>130 903</b>
Reticulation	96 171	49 353	173 686	158 231	178 202	99 103
Sewerage purification	151 772	66 266	13 000	88 500	18 000	31 800
<b>Infrastructure – other</b>	<b>1 033 185</b>	<b>599 437</b>	<b>961 341</b>	<b>257 350</b>	<b>205 310</b>	<b>154 180</b>
Waste management	16 832	32 212	–	–	135 530	82 530
Transportation	39 263	57 926	223 463	251 460	69 780	71 650
Other	977 090	509 299	737 878	5 890	–	–
<b>Total new infrastructure</b>	<b>2 613 229</b>	<b>1 686 592</b>	<b>2 308 629</b>	<b>1 944 863</b>	<b>1 708 194</b>	<b>1 493 492</b>
<b>Capital spend on renewal of existing infrastructure</b>						
<b>Infrastructure – road transport</b>	<b>972 074</b>	<b>508 450</b>	<b>725 201</b>	<b>974 886</b>	<b>829 170</b>	<b>1 186 566</b>
Roads, pavements and bridges	942 489	474 610	623 454	967 021	826 670	1 183 066
Stormwater	29 585	33 840	101 747	7 865	2 500	3 500
<b>Infrastructure – electricity</b>	<b>253 925</b>	<b>222 302</b>	<b>437 718</b>	<b>428 145</b>	<b>362 320</b>	<b>375 977</b>
Transmission and reticulation	253 905	222 302	437 418	428 070	362 320	375 977
Street lighting	20	–	300	75	–	–
<b>Infrastructure – water</b>	<b>81 505</b>	<b>80 895</b>	<b>97 719</b>	<b>98 992</b>	<b>120 962</b>	<b>130 748</b>
Dams and reservoirs	4 592	16 189	4 243	10 150	2 000	22 000
Water purification	2 547	94	–	–	–	–
Reticulation	74 366	64 612	93 476	88 842	118 962	108 748
<b>Infrastructure – sanitation</b>	<b>149 317</b>	<b>106 718</b>	<b>234 610</b>	<b>192 266</b>	<b>295 450</b>	<b>303 850</b>
Reticulation	65 553	51 478	120 509	130 638	117 800	147 650
Sewerage purification	83 764	55 240	114 101	61 628	177 650	156 200
<b>Infrastructure – other</b>	<b>687 573</b>	<b>322 196</b>	<b>360 738</b>	<b>155 054</b>	<b>42 533</b>	<b>12 478</b>
Waste management	191 711	132 352	94 190	143 332	–	–
Transportation	45 802	6 238	10 785	10 800	42 193	10 865
Other	450 060	183 606	255 763	922	340	1 613
<b>Total renewal infrastructure</b>	<b>2 144 394</b>	<b>1 240 561</b>	<b>1 855 986</b>	<b>1 849 343</b>	<b>1 650 435</b>	<b>2 009 619</b>

Table 2.2.2: Capital spend on City's infrastructure

## REVIEW OF THE 2011/12 FINANCIAL YEAR

### Prioritising repairs and maintenance

The City acknowledges its obligation optimally to preserve its extended asset base, and is acutely aware of the current backlogs in this regard.

In terms of the Municipal Budget and Reporting Regulations, such operational repairs and maintenance are not considered a direct expenditure driver, but an outcome of the other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance (both historical and projected):

Description	Audited outcome 2009/10 R'000	Audited outcome 2010/11 R'000	Audited outcome 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000	Budget 2014/15 R'000
Employee-related costs	–	406 268	446 893	960 451	1 043 046	1 132 723
Other materials	–	200 892	180 350	305 208	331 455	359 298
Contracted services	68	995 374	1 092 859	1 193 519	1 342 118	1 505 918
Other expenditure	1 577 652	106 746	167 553	131 960	143 308	155 501
<b>Total</b>	<b>1 577 720</b>	<b>1 709 280</b>	<b>1 887 655</b>	<b>2 591 138</b>	<b>2 859 927</b>	<b>3 153 440</b>

Table 2.2.3: Operational repairs and maintenance by expenditure item

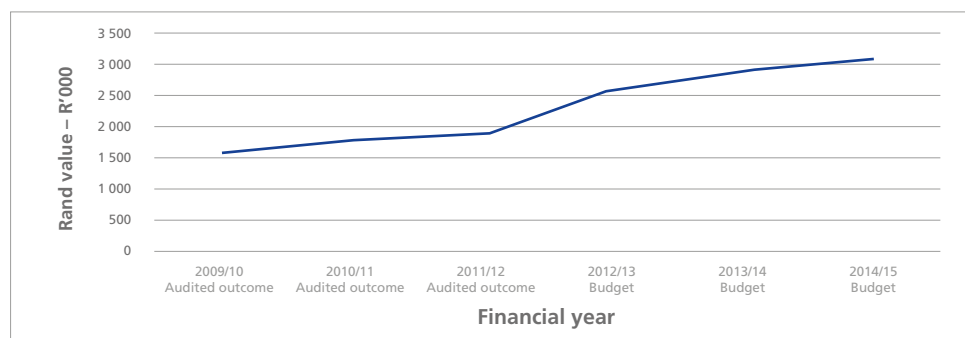


Figure 2.2.2: Total repairs and maintenance expenditure by year

In line with the approach in recent financial years, 2012/13 appropriations again provide for significant and above-CPI (consumer price index) increases to this cost component. The contracted services expenditure component now includes provision for repairs and maintenance expenditure. Expenditure levels of R2,5 billion (2012/13) to R3 billion (2014/15) are projected.

### ADDING VALUE THROUGH FREE BASIC SERVICES

The City continues to provide free basic services, such as refuse removal, water, sanitation and rates assistance, to Capetonians. The allocation of these free basic services is determined by means of either the municipal value of the property, or on application by those with limited income whose property values exceed the set valuation levels.

The valuation method is preferred, as it helps to prevent the creation of a bloated and costly administration to deal with the 200 000 to 250 000 applications that would likely be received if a purely application-based process were followed. Instead, the valuation system allows the City

to provide assistance to those residents assumed to be in need. While it is likely that some households that receive the benefit may fall outside the qualifying criteria, this approach is still the most practical for the City.

A further benefit of the valuation-based approach is that it provides certainty in terms of budgets, and reduces the risk of fraud and the costs involved in preventing it. The benefits vary based on the valuation of the properties at R400 000 or below, and the recipients vary between 109 000 and 276 000.

Residents whose property values are too high for them automatically to qualify for the free services are also entitled to apply for these services, provided their gross monthly household income is R3 000 or less. The application process involves registering as indigent. Once approved, these households receive the same benefits as if their property values were below R100 000. To date, 1 456 residents have registered via this process. This relatively low number demonstrates that the valuation-driven measures are effective in reaching the less-fortunate residents at whom they are targeted.

Upon application, the City also grants a rates rebate to qualifying senior citizens and people with disabilities whose gross monthly household income is below R10 500. For those with a household income below R3 000, this rates rebate is 100%, which then reduces gradually to 10% for income levels between R10 001 and R10 500.

In the 2011/12 period, the City created a new category of indigent support in the form of a 50% rates rebate to all residents whose gross monthly household income is between R3 001 and R4 000.

Electricity consumers who use an average of less than 450 kWh per month receive the first 50 kWh per month free of charge. In the 2011/12 financial year, 429 000 Cape Town residents received this benefit.

The costs attached to free refuse removal, the 50 kWh of free electricity as well as the R53,27 subsidy for water and sanitation are all funded by National Government through the local government equitable share received in terms of the annual Division of Revenue Act. However, the City allocates R19 million from rates income to balance this expenditure. The costs of the free 6 kℓ of water (and concomitant sanitation) and the R200 000-valuation rates rebate for those residents within the valuation brackets deemed to be indigent are funded via payments received from City residents who do not qualify for these benefits.

	2009/10 R'000	2010/11 R'000	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000
Water	365 140	454 363	462 011	544 359	603 832	670 034
Sanitation	188 119	276 587	309 301	384 410	420 898	461 067
Electricity	100 641	96 947	105 847	115 316	127 089	138 233
Refuse	256 125	275 019	280 520	286 130	291 853	297 690
<b>Total</b>	<b>910 025</b>	<b>1 102 916</b>	<b>1 157 679</b>	<b>1 330 215</b>	<b>1 443 672</b>	<b>1 567 024</b>

Table 2.2.4: Total value of free basic services to citizens



The City continues to provide free basic services such as water and area cleaning.

## REVIEW OF THE 2011/12 FINANCIAL YEAR

### ELECTRICITY SERVICES

The City of Cape Town is the electricity service authority for the entire Cape metropolitan region, and its service providers are the City of Cape Town's Electricity Services Department, Eskom and AECI (although the AECI electricity distribution licence is being transferred to the City).

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

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

The Cape Town electricity supply area is divided into three distribution or service areas, each of which is serviced by four districts, as shown in figure 4.2.3. Each district is responsible for the maintenance and safe operation of the electricity services network as well as new customer connections in its area.



Figure 2.2.3: Service areas and districts in the Cape Town electricity supply area

While forecasts point to a likelihood of energy consumption in Cape Town growing at a constant 3% per annum in the coming years, analysis of recent figures shows a gradual slowing of consumption growth. In fact, consumption growth since the 2007/8 financial year has averaged close to 0% per annum. However, while demand-side measures should continue to help slow the rate of growth in energy demand, a growing city is likely to result in increasing electricity demand going forward.

Against this backdrop, electricity service availability and access backlogs – particularly in informal settlements – remain a significant challenge. These are 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 2 200 connections in 2012/13. 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 Services Department. In this way the City achieves electrification for all formal housing developments.

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.

## Saving electricity, enhancing safety

During the 2011/12 financial year the Electricity Services Department's Public Lighting Division continued with its project to convert mercury-vapour street 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.

## Network infrastructure and development

Within the geographic area of Cape Town there is a significant backlog 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 total asset value. Included in this backlog is an estimated R326 million for electrification, which will be funded through internally generated funds and external loans.

## A focus on customer service

The City's call centre optimisation project has established a single telephone number (the Electricity Technical Operations Centre), to which all electricity fault and power outage complaints are now directed. The Department has published its minimum standards and reporting lines for quality service, the specifications of which 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.

## Assistance to residents and businesses to save electricity

Residential electricity consumption accounts for 43% and commercial consumption for 40% of total electricity consumed in Cape Town. Efficient electricity use has become increasingly important in view of rising electricity tariffs and South Africa's very real supply shortages. The need to reduce

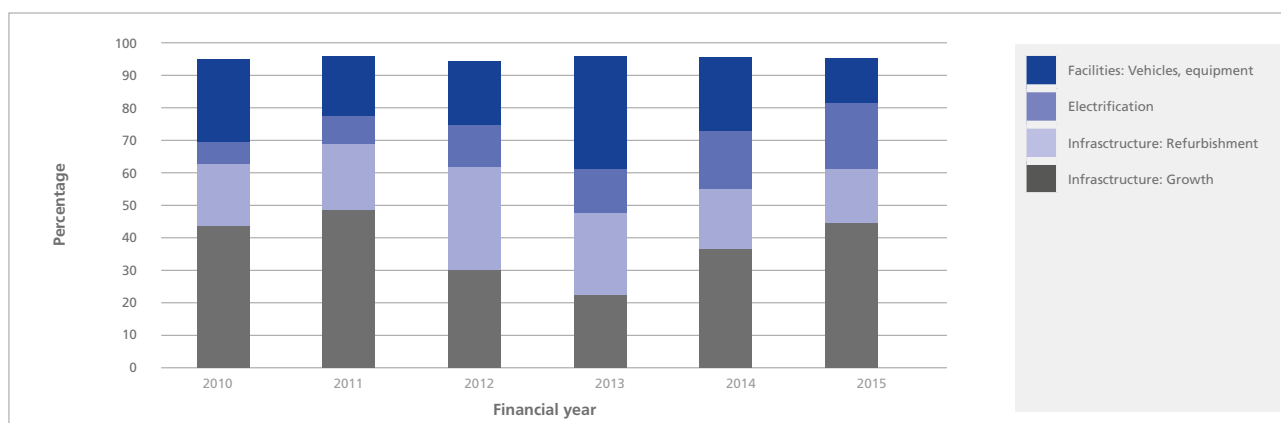


Figure 2.2.4: City of Cape Town's historical and projected capital budget spend on electricity services

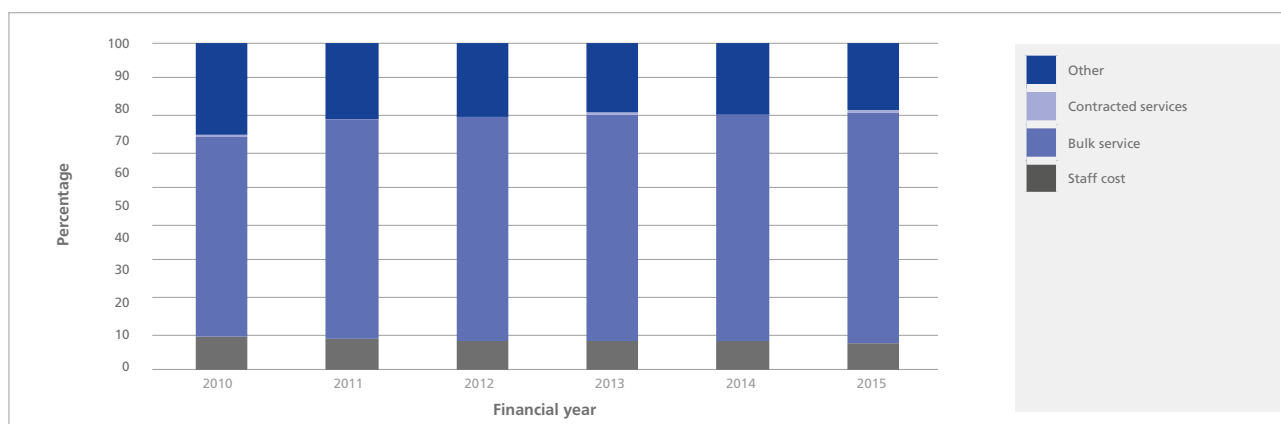


Figure 2.2.5: City of Cape Town's historical and projected operating budget spend on electricity services



## REVIEW OF THE 2011/12 FINANCIAL YEAR

operating costs, the cost of inefficient energy use to the economy, the risk of power cuts and carbon emissions all add up to the urgent need for a concerted effort to improve our electricity efficiency in Cape Town.

Through its marketing campaign with the slogan 'Electricity is expensive. Saving is simple', the City has devised a practical checklist and developed an information-filled website aimed at encouraging households to join the City in accepting shared responsibility for saving electricity.

During the year under review this easy-to-understand information was made available through advertorials in daily and community newspapers, radio adverts and on the website [www.SavingElectricity.org.za](http://www.SavingElectricity.org.za). Commercial building owners and operators were also encouraged to join the Energy Efficiency Forum at [www.capetown.gov.za/EnergyEfficiencyForum](http://www.capetown.gov.za/EnergyEfficiencyForum).



### WATER AND WASTEWATER SERVICES

The Western Cape water supply system (WCWSS), comprising raw water storage and conveyance infrastructure, supplies water to Cape Town, surrounding towns, urban areas and agriculture. 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 which work together to operate the WCWSS in an integrated manner.

The annual yield of the WCWSS, including the recently completed Berg River scheme, is 556 million kℓ per annum. The major raw water supply schemes of the WCWSS are the Riversonderend, Voëlvlei 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.

The City's water supply infrastructure includes 11 dams, 12 water supply treatment works and a water supply reticulation network of approximately 10 400 km. The City also has 108 water pump stations, 138 water reservoirs and 21 depots. The wastewater infrastructure consists of 27 wastewater treatment works, a sewer reticulation network of approximately 9 000 km, 377 sewer pump stations and 21 depots.

The City of Cape Town is allocated 398 million kℓ per annum from the WCWSS. This means that the City obtains 74% of its total water allocation from DWA-owned sources, with the balance coming from City-owned sources.

During the 2011/12 financial year, the City produced 330 million kℓ of potable water.

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

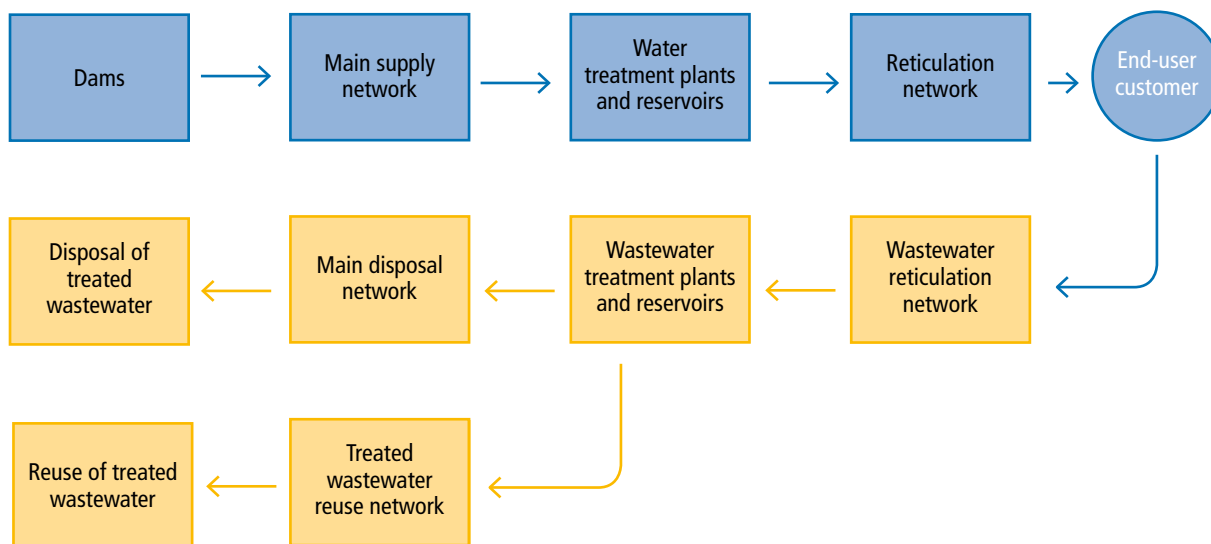


Figure 2.2.6: City of Cape Town's water supply and reticulation process

## Reducing water demand and wastage

A key priority for the City of Cape Town 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; and
- continued education and awareness.

As the City does not dispose of raw, untreated wastewater, compliance with standards poses some challenges. For the 2011/12 financial year, the majority of wastewater projects were aimed at increasing treatment capacity, improving processes and raising levels of effluent quality.

To eradicate the sanitation backlog and serve the influx of people in informal settlements, the City is continuing with the implementation of its service provision programme, which includes the ongoing replacement of piping on water networks and sewerage networks at an average cost of R1 million per kilometre of piping.

## Infrastructure maintenance

The City's existing water services infrastructure continues to deteriorate due to insufficient funding for essential maintenance or the replacement of ageing assets. Historically, maintenance of infrastructure has been mainly 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 therefore be accompanied by infrastructure upgrades and extension.

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:

- an asset register that complies with generally recognised accounting practice is developed and maintained;
- assets are maintained proactively rather than reactively;
- the total asset life cycle is managed to maximise the lifespan and optimise the life cycle costs of those assets;
- maintenance work is effectively coordinated; and
- operating downtime is significantly reduced.

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 projection is shown in table 2.2.5 below.

	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 Strategy	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>780 186</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	478 000	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>780 186</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>

Table 2.2.5: Capital requirement to ensure sustainability of water and wastewater infrastructure

## REVIEW OF THE 2011/12 FINANCIAL YEAR

However, maintaining infrastructure is not enough to ensure efficient water supply. It also has to be effectively operated. Table 2.2.6 below shows the historical and projected operating budget for the provision of water services to Cape Town:

	2009/10 R'000	2010/11 R'000	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000
Staff cost	721 859	775 019	861 308	1 005 239	1 122 519	1 244 666
Bulk services	275 643	293 325	320 262	367 011	391 911	470 535
Chemicals	82 843	89 299	96 483	96 063	140 406	161 261
Contracted services	186 409	346 789	427 989	438 434	575 424	691 641
Other	865 685	1 092 216	1 019 779	1 005 507	1 147 340	1 213 832
<b>Total primary cost</b>	<b>2 132 439</b>	<b>2 596 648</b>	<b>2 725 821</b>	<b>2 912 254</b>	<b>3 377 600</b>	<b>3 781 935</b>
Secondary cost	1 706 659	1 853 732	1 999 811	2 218 286	2 483 320	2 685 100
<b>Total primary and secondary cost</b>	<b>3 839 098</b>	<b>4 450 380</b>	<b>4 725 632</b>	<b>5 130 540</b>	<b>5 860 920</b>	<b>6 467 035</b>
<b>Repairs and maintenance</b>	<b>373 724</b>	<b>356 284</b>	<b>449 129</b>	<b>752 089</b>	<b>862 770</b>	<b>987 139</b>

Table 2.2.6: City of Cape Town's operating budget spend on water and wastewater services

### Giving all people access to water

The City set itself a target of installing 250 water access points (taps) in informal settlements during the 2011/12 financial year. This target was exceeded during the period, with 277 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.

With the implementation of a policy to install water demand management (WDM) 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 WDM devices are being installed across a range of residences, with a total of 17 556 installed during the 2011/12 financial year.

### Conserving the city's water

During the 2011/12 financial year the City once again managed to reduce its percentage of unaccounted-for water losses to 17,1%. This is a significant improvement on previous efforts, and well ahead of the target of 20% for the period. The success demonstrates the effectiveness of the City's water balance and loss reduction strategy, and shows 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.

Effective water demand management is a core requirement for the sustainability of water supply to the city. 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.

If water consumption is controlled at the levels expected in the Water Demand Management and Water Conservation Strategy, it may allow the next water resource scheme to be deferred to approximately 2029.

### 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. In addition to working to reduce demand, the City is therefore developing a 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.

### Water pressure management

Effective pressure management continued to save the City of Cape Town water and money during the 2011/12 financial year. The City's most recent pressure management project in Brown's Farm, Philippi, resulted in an immediate drop in the average consumption by minimising night-flow and peak-flow rates in the area. The total estimated saving from this system alone is R8,25 million per year and, when combined with the savings from other pressure management systems in Khayelitsha, Wesbank, Eerste River, Brentwood Park, Langa and Belhar, the annual financial and water savings are potentially massive.

## Water reuse

At present, about 70% 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 16 728 Mℓ/month (as at the end of July 2012) into rivers and directly into the sea. This represents a huge wastage of water resources, and requires that urgent attention be given to the development of effective reuse strategies. A detailed feasibility study is planned, which will deliver a comparative assessment of water reuse against other potential water resource development options.

## Ensuring water quality

During the 2011/12 financial year, the entire water supply system, including the City-owned catchments, dams, water supply treatment plants, the bulk conveyance system and the whole distribution system, was once again assessed by DWA for its Blue Drop performance ratings.

The City received a platinum award for having excelled in the Blue Drop awards programme for four years in succession. The City's score for the period under review was an impressive 97,61%.

According to the latest report issued in 2011 by DWA, the average Green Drop score – which is a measure of the City's 27 wastewater treatment works (WWTWs) – was 85%. Eleven of the WWTWs scored higher than 90%, including Gordon's Bay, Klipheuwel, Llandudno, Macassar, Melkbosstrand, Wesfleur, Wildevölvlei and Zandvliet WWTWs – thereby qualifying for Green Drop status. Athlone and Cape Flats WWTWs, however, struggled with compliance and therefore lost their Green Drop status.

In reporting on the assessment, DWA noted that: "The City of Cape Town impressed with their dedication to embrace the innovative wastewater risk abatement planning approach and their willingness to share their experiences with the sector to ensure wide-scale enhancement of wastewater management in South Africa. It can however be noted that all of the works, including the above, require further improvement in terms of ensuring that the works and process controllers are registered and classified

respectively, and that the relevant document proof is readily available. The remainder of the WWTWs still require more improvement, specifically in relation to WWQ [Wyoming Water Quality] compliance, and WWTW capacity building and planning."

Specific areas requiring attention identified in the report were:

- ageing infrastructure;
- rapid population growth;
- maintenance of the existing assets; and
- a shortage of relevant skills.

To address these issues, the City's Wastewater Department is undertaking the following initiatives:

- Recruitment of appropriate staff
- Post-retirement contracts, where possible
- Training of existing staff in an effort to minimise the shortage of trained, experienced resources
- Formulation of comprehensive, long-term master plans
- Allocating financial resources to expand and maintain existing assets
- Construction of new wastewater treatment facilities
- Improvement of business processes

## Excellent response to water and sanitation faults

In June 2012 the City's Water and Sanitation Technical Operations Centre (TOC) received national and international certification from the South African Bureau of Standards. This is the first such certification to be issued to a municipality in South Africa.

The certification came as a result of Water and Sanitation's recognition of the vital importance of fault reports in respect of the City's freshwater supply system and the sewerage system being attended to as soon as possible. This is not only in order to meet the service standards that the people of Cape Town deserve, but also to limit the loss of precious fresh water, prevent damage to roads and property that might result from pipe bursts, and ensure that blocked sewers do not cause contamination of the rivers and lakes in the city.

To maximise operational efficiency, the systems and procedures used by the TOC comply with ISO 9001:2008, Quality Management Systems – Requirements. The TOC also complies with SANS 990-2:2008, Business Process Outsourcing and Offshoring Operations Part 2: Inbound Contact Centre Operations.



### City scoops coveted trenchless technology award ... again

The City of Cape Town's Water and Sanitation Department was awarded the Southern African Society for Trenchless Technology (SASTT) 2011 excellence award for the construction of the spring-water irrigation pipeline for the Green Point common/urban park. The project entailed the installation of a 5,2 km irrigation pipeline using mostly trenchless technology methods. As a caring and safe city, the City of Cape Town carefully chose the methodology to be used in the construction to minimise the disruption of traffic and pedestrian mobility. This is the second SASTT excellence award that the City has received for the use of trenchless technology when upgrading water and sanitation infrastructure.

#### WASTE MANAGEMENT SERVICES

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:

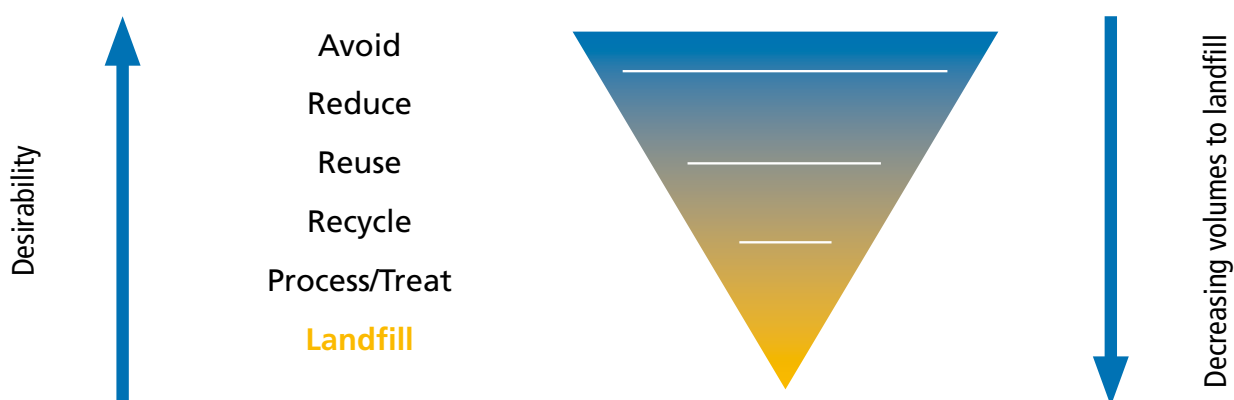


Figure 2.2.7: The City's waste management hierarchy

The increase in waste as a result of population growth is projected to be approximately 2% to 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 Environmental Management Waste Act (Act 59 of 2008).

Key projects and initiatives that formed part of the plan for 2011/12 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-materials recovery facilities (MRFs);
- completing a comprehensive Municipal Systems Act section 78(3) assessment of alternate 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 area.

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 takes risk into account and delivers value for money for the City and its ratepayers.

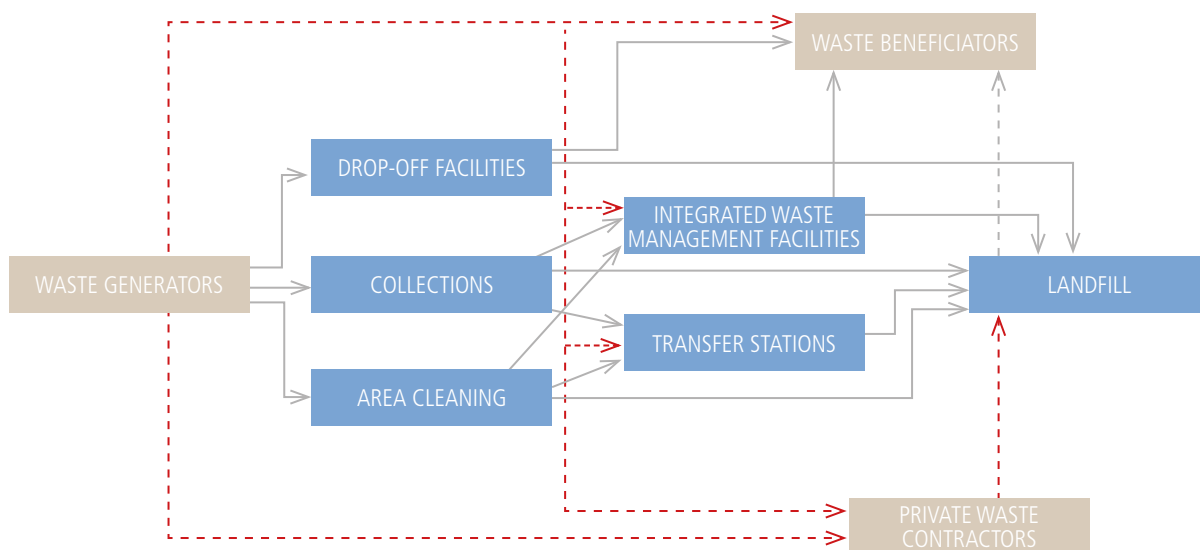


Figure 2.2.8: The solid waste value chain

## Saving landfill space

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 (through the Think Twice 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.

## REVIEW OF THE 2011/12 FINANCIAL YEAR

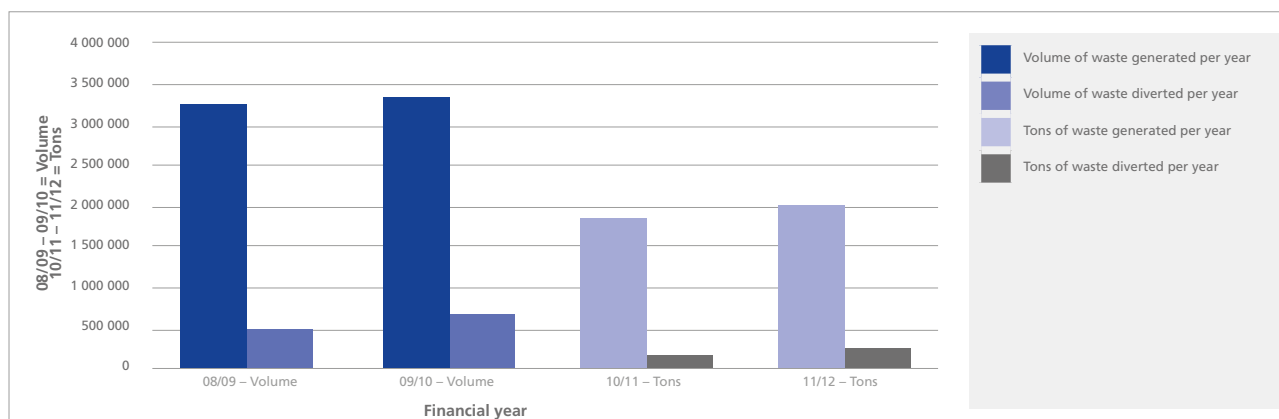


Figure 2.2.9: Amount of waste diverted from City of Cape Town waste management facilities

Note: Figures refer to waste minimised through City initiatives and waste disposed at City disposal facilities. As of July 2010 there has been a change from volumetric measuring to mass measuring. This change was implemented to achieve an improved representation of actual waste diverted.

The City has also been investing in the development, maintenance and operation of its solid waste infrastructure, as shown in table 2.2.7:

	2008/09 R'000	2009/10 R'000	2010/11 R'000	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000
Disposal sites	91 447	207 982	164 079	75 082	133 332	135 530	82 530
Vehicles and plant	63 173	72 680	27 532	152 418	100 900	90 402	88 664
Other	10 270	4 743	6 763	3 153	11 273	7 673	7 812
<b>Total</b>	<b>164 889</b>	<b>285 406</b>	<b>198 374</b>	<b>230 653</b>	<b>245 505</b>	<b>233 605</b>	<b>179 006</b>

Table 2.2.7: Capital budget spend on solid waste services

	2009/10 R'000	2010/11 R'000	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000
Staff cost	400 412	450 515	501 390	573 210	632 774	692 523
Contracted services	428 374	473 885	375 478	407 548	431 063	466 371
Other	262 866	388 112	645 633	851 344	904 855	909 215
<b>Total primary cost</b>	<b>1 091 652</b>	<b>1 312 512</b>	<b>1 522 501</b>	<b>1 832 102</b>	<b>1 968 692</b>	<b>2 068 109</b>
Secondary cost	304 157	391 094	375 478	223 872	241 781	261 124
<b>Total primary and secondary cost</b>	<b>1 395 809</b>	<b>1 703 606</b>	<b>1 897 979</b>	<b>2 055 974</b>	<b>2 210 473</b>	<b>2 329 233</b>
<b>Repairs and maintenance</b>	<b>73 577</b>	<b>79 926</b>	<b>83 510</b>	<b>96 050</b>	<b>104 311</b>	<b>113 078</b>

Table 2.2.8: Operating budget spend on solid waste services

### Waste removal

During the 2011/12 financial year informal settlements received an integrated refuse collection and area-cleaning service. 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

[http://www.capetown.gov.za/en/Solidwaste2/Documents/IWM\\_Policy.pdf](http://www.capetown.gov.za/en/Solidwaste2/Documents/IWM_Policy.pdf).



## SFA 03

# Energy efficiency for a sustainable future

## Key objectives

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

## Main achievements in 2011/12

- Maintained citywide electricity consumption at 2007 levels

## About the Economic, Environmental and Spatial Planning (EESP) Directorate

This Directorate is involved with the developmental duties of municipalities, as outlined in section 153 of the Constitution, including to 'give priority to the basic needs of the community, and to promote the social and economic development of the community' and 'participate in national and provincial development programmes'. The Directorate's strategic and operational service delivery objectives include the following:

### Strategic

- Dynamically lead in shaping the city's short- and longer-term growth and development in order to ensure improved quality of life
- Mainstream the City's Economic Development Strategy, and ensure alignment with both internal and external plans and partners
- Develop a 'green economic' policy and framework to ensure that the City optimises economic growth and job creation
- Ensure that the City's unique economic and social asset – its natural environment – is protected, integrated and optimised within the urban landscape

### Operational

- Deliver efficient and effective service to the developers and property owners of Cape Town, reducing approval turnaround time for land use management applications and building development
- Improve the City's building development and land use regulation functions, and drive coordinated and integrated environmental enforcement
- Lead law reform planning processes by implementing and continuously reviewing the new Cape Town Zoning Scheme and drafting the planning bylaw
- Improve environmental compliance with relevant environmental legislation, using best-practice environmental technologies and processes
- Formulate a Citywide climate-change response that addresses issues of climate-change mitigation, climate adaptation and resilience, and energy efficiency through the implementation of the Energy and Climate-change Action Plan (ECCAP), Climate Adaptation Plan of Action (CAPA) and the development of a City climate-change policy



## REVIEW OF THE 2011/12 FINANCIAL YEAR

### KEEPING POWER CONSUMPTION STEADY

Over a four-year period up to 2012, the City aimed to reduce citywide electricity consumption by 10% on a business-as-usual (BAU) baseline. In fact, citywide electricity consumption is still at 2007 levels (2011/12 consumption is 13,2% below the BAU baseline). This is due to the combination of a lack of growth during the recession, the effect of tariff increases, and the positive impact of the electricity savings campaign. Definitive data on the causes of consumption reduction are extremely difficult to disaggregate. Growth in gross geographic product for Cape Town versus growth in electricity consumption for the Cape Town distribution area appears to show a clear reduction in the electricity intensity of the city's economy.

### ENABLING ENERGY EFFICIENCY IN THE CITY'S OWN OPERATIONS

The City owns more than 5 000 facilities, including at least 80 significant administrative buildings, 100 clinics and 100 libraries. Buildings account for approximately 16% of electricity consumed in City operations. Therefore, projects that improve building energy efficiency have a noticeable effect on the City's total electricity consumption, reducing both costs and carbon emissions.

To achieve such energy efficiency improvement, the City's Energy and Climate-change Unit runs a buildings retrofit programme. As part of this programme, preliminary audits have been conducted on 16 large administration buildings. During the period under review, detailed audits and energy efficiency retrofits of four of these buildings, in Plumstead, Ottery, Fezeka and Durbanville, were undertaken. These included the installation of energy efficient lighting and lighting controls, power-factor correction units, solar water heaters and air-conditioning thermostat controllers – all coupled with an extensive building occupant behaviour change programme. The project, which was the first municipal energy efficiency performance-guaranteed contract implemented by a municipality in South Africa, was undertaken by the energy service company Shared Energy Management.

As a result of the implementation of this project, the City is guaranteed electricity savings of 338 MWh every year across the four buildings. The guarantee is provided by the energy services company via the submission of a bank guarantee. The savings are based on the demand reduction outlined in the implementation plan, which is converted into a financial amount in line with the electricity tariff amount.

The City has also retrofitted 44 of its clinics with solar water heaters, and is currently undertaking a lighting retrofit of 5 000 lights in another 14 City buildings, including libraries, clinics, workshops and administrative buildings. This has been made possible through funding from the National Department of Energy's energy efficiency and demand-side management (EEDSM) programme. The savings on this

project will likewise be guaranteed by the energy services company, and will see the City save a further 547 MWh of lighting energy annually.

A lighting retrofit project for Cape Town Civic Centre has also gone out to tender, and it is anticipated that, once completed, this will result in further energy savings of 3 800 MWh per year. In addition, the lifts, heating, ventilation and air-conditioning systems are being upgraded. Meters will be installed to monitor the impact of these interventions.

Funding has been secured from the Energy and Environment fund for 55 automated meter readers (AMRs) to be installed in 55 City-owned buildings as well as usage training for building and technical managers and building users. This will provide the City's facilities managers with real-time data on electricity usage, thereby facilitating further improvements in the management of the City's overall electricity consumption.

### RETROFITTING STREET AND TRAFFIC LIGHTS

Street lights and traffic lights account for an estimated 37% of all electricity consumed by the City. This fact presents the administration with an exceptional opportunity to generate energy savings through more efficient lighting provision. In the 2011/12 financial year, EEDSM funding enabled the City to retrofit 14 291 street light luminaires, which amounts to an energy saving of 1 726 MWh and carbon reduction of 1 720 tons of carbon-dioxide-equivalent (tCO<sub>2</sub>e) per year. In addition, the City's Electricity Services Department commits some of its own budget each year to street lighting retrofits.

The City also retrofitted 42 333 traffic light luminaires with light-emitting diodes, resulting in energy savings of 3 387 MWh per year and carbon reduction of 3 375 tCO<sub>2</sub>e. As at June 2012 every traffic light in the city had been retrofitted.

Monitoring and verification of savings is carried out on all EEDSM-funded retrofit projects.

### CAMPAIGNING FOR ELECTRICITY SAVINGS

#### Residential sector

The City's electricity savings campaign aims to achieve a 25%–40% reduction in electricity consumption across all of Cape Town's mid-income to high-income households. This multimedia campaign, which was run intensively at the time of the tariff increases in 2011 and 2012, is showing evidence of significant success. In addition to information provided on radio and via print media, schools, rates accounts and direct marketing, a dedicated website ([www.savingelectricity.org.za](http://www.savingelectricity.org.za)) provides up-to-date information and consumer tips and guidelines. To support the objectives of the campaign further, the City made significant progress in its development of a scheme to



facilitate the retrofit of electric geysers with solar water heaters in all Cape Town households.

## Commercial sector

Since 2009 the City, in partnership with Eskom and SAPOA, has also run the Energy Efficiency Forum for commercial buildings. In 2011 and 2012, five successful events were held with various local businesses. These well-supported events were designed around different themes, including green leasing, the role of insurance in changing the risk landscape, and accessing the Eskom energy efficiency offerings. The Forum events typically attracted between 150 and 200 participants. A linked market event also opens the Forum to product suppliers and service providers to showcase their products and services. This is an extremely popular event.

## EDUCATION

The City also remains committed to educating younger citizens on the importance of energy efficiency. During the year under review the City hosted an energy efficiency educational programme, which took the form of a theatre production named *Raiders of the Blackout School Tour*. This interactive production took the City's energy efficiency message to learners and teachers at 20 Cape Town schools. The City's *Smart Living Handbook* continues to deliver positive results. This publication was updated during the year under review, and a *Smart Buildings Handbook* was also produced to promote the sustainable use of resources in the design, construction, renovation and operation of buildings and developments. These publications were distributed to numerous private companies, government institutions and residents.

## CLIMATE SMART CAPE TOWN

In 2011 the City of Cape Town was instrumental in setting up the Cape Town Climate-change Coalition and its associated campaign, the Climate Smart Cape Town campaign (CSCT). The campaign is aimed at informing and influencing city leaders and residents about climate-change issues in order to:

- ensure climate-change issues are taken into account in decisions influencing the future development of Cape Town;

- promote an understanding of local, regional and national climate-change policies and strategies to influence appropriate behaviour responses domestically as well as in the workplace; and
- build Cape Town's profile as a leading city in addressing climate-change.

Six topical themes were developed for the campaign, namely recycling, saving water, biodiversity, transport, cycling and saving energy. During the 2011/12 financial year, CSCT successfully hosted the 'Inspiring Change' gathering, and coordinated Cape Town's participation in COP17 in Durban, where it won the award for best exhibition stand.

## MICRO-HYDRO PROJECT

During the 2011/12 year the City of Cape Town completed a micro-hydro pre-feasibility study to assess the potential to upgrade and extend its existing micro-hydro projects that form part of its potable-water systems. The scope of the study included resource assessment, turbine sizing, technical considerations and business and financial modelling. Eight bulk water sites were investigated, including Steenbras, Wemmershoek, Blackheath and Faure. Based on the study findings, the preparation of a full feasibility study is under way.

## PUBLICATIONS AND REPORTS

The City's Energy and Climate-change Unit published two reports in the 2011/12 financial period: the 'Moving Mountains' report, which covers all the projects in Cape Town's ECAP, and the 'Cape Town State of Energy and Energy Futures' report.

The Unit also commissioned the 'Cape Town Energy Futures' study, which was undertaken by Sustainable Energy Africa and the Energy Research Centre at the University of Cape Town. This study was completed in 2011 and uses long-range energy alternatives planning (LEAP) modelling to enable the City to determine where its energy efforts should be steered and which projects would deliver the largest returns in terms of both carbon mitigation and cost benefits. This information assists the City to review its ECAP, and the model can be updated as new data becomes available.

# Public transport systems

## Key objectives

- Improve Cape Town's public transport systems and services to accommodate potential growth and employment
- Effectively manage the road network, reduce congestion and mitigate negative impacts on the environment
- Address the issues of access in relation to urbanisation and social exclusion

## Main achievements in 2011/12

- MyCiTi rolled out to the west and airport
- MyCiTi leads the way for special-needs passengers and universal access
- Launch of Travel SMART programme to encourage sustainable transport options
- Safety at public transport interchanges increased
- Dedicated public transport lanes reintroduced
- Non-motorised transport (NMT) network extending across Cape Town
- Pilot project launched to improve quality of stormwater
- Four NMT projects completed in Khayelitsha, using local labour



The City's sustainable transport initiatives include an NMT network that provides safe transport for pedestrians, cyclists as well as the MyCiTi bus service.

Projects undertaken by the Roads and Stormwater Department garnered the following awards in the past year:

Project	Award
Hospital Bend interchange upgrade	Concrete Society of Southern Africa: Fulton award winner in the Construction Techniques category, 2011  (The project was also awarded the South African Institution of Civil Engineering Western Cape's regional award for excellence in civil engineering in 2009)
Buitengrapt footbridge	Winner of the bridge category in the South African Steel Awards, 2011 (Also won the Western Cape award for excellence in civil engineering from the South African Institution of Civil Engineering as well as the national award for excellence in civil engineering in 2010)
Lourens River flood alleviation measures project in Somerset West	2011 annual awards of the Institute of Landscape Architecture in South Africa (Corobrik-ILASA Awards) – excellence award to Megan Anderson Landscape Architects (the City's landscape architect on the project)  2012 annual awards of the South African Landscapers Institute (SALI): <ul style="list-style-type: none"> <li>• Best Environmental Landscape Work to Blue Wood Landscaping (the City's appointed landscaping contractor)</li> <li>• Shield for Excellence in Landscaping (overall award) to Blue Wood Landscaping</li> </ul> 2011 annual Brian Hoy award made by the Lourens River Conservation Society to Blue Wood Landscaping for meritorious work
Kuyasa transport interchange north	2011 – 2012 Corobrik-SAIA Award of Merit to Meyer & Vorster Architects (the City's appointed architectural consultant)  2011 Cape Institute of Architects Award of Merit to Meyer & Vorster Architects

Table 2.4.1: Awards earned by Roads and Stormwater Department

## MAKING TRANSPORT ACCESSIBILITY A REALITY FOR ALL

A hierarchical, multidirectional accessibility grid is envisaged for Cape Town, which will lay the foundation for the routing and service design of an integrated public transport network (IPTN). The City is in the process of reviewing its Integrated Transport Plan and its IPTN so as to cover service delivery standards, including the road and rail network, and ensure the roll-out of sustainable, integrated public transport for all in Cape Town. The intention is ultimately to ensure that more than 85% of the city's population is within a kilometre of a high-quality public transport system.

The IPTN will inform a hierarchy of public transport services relating to the accessibility grid, including the following:

- **A rail service** that provides high-performance, high-volume and safe public transport, which will be the preferred mode for long-distance commuters
- **A road-based trunk service** provided by articulated and standard buses on dedicated and semi-dedicated right-of-way infrastructure
- **A community (feeder and distribution) service** at 4 km to 8 km intervals, provided by standard buses and smaller vehicles and which feeds into the main bus and rail services
- **Pedestrian and cycle lanes** along public transport routes and around public transport stops, stations and interchanges to facilitate safe and convenient access to public transport services



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### About the Transport, Roads and Stormwater Directorate

This Directorate consists of four operating departments, namely Transport; Roads and Stormwater; Integrated Rapid Transit (IRT) Implementation and IRT Operations, as well as Strategic Support, Finance and Human Resources Management Services units.

The Directorate's key focus areas are as follows:

- Strategic transportation planning across Cape Town
  - Access to opportunities through the reduction of overall costs for those using public transport
  - The roll-out of integrated intermodal transportation across Cape Town, including MyCiTi, public transport interchanges and other, related facilities and services
  - Strategic, planned management of the City's roads and stormwater network, and upgrades of the network in disadvantaged areas
  - Compliance with occupational health and safety legislation in the internal and external transport, roads and stormwater environments for both capital and operating projects
  - Conservation of natural resources through the management of inland and coastal water quality
  - Roll-out of the parameters of the National Land Transport Act (NLTA) 2009 in order to achieve integration
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### Recognition for sustainable transport

The City of Cape Town received an honourable mention at the 2012 Sustainable Transport Awards held by the Institute for Transportation and Development Policy (ITDP) in Washington. The accolade recognised the City's initiatives in implementing sustainable transport practices, including the steps taken to implement an NMT network that provides safe transport links for pedestrians and cyclists, as well as its new MyCiTi initiative. The ITDP works with cities worldwide to bring about transport solutions that cut greenhouse gas emissions, reduce poverty and improve the quality of urban life.

They have offices in eight countries. For more about the award, visit <http://www.itdp.org/get-involved/sustainable-transport-award/finalists>.

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## GROWING MYCITI TO SERVE ALL CAPETONIANS

### New smartcard fare system improves access

In November 2011 the City introduced its myconnect card to provide commuters with a faster and more convenient way of using the MyCiTi public transport system. This is the first step in the planned, gradual implementation of the system, and further phases will come into effect in the second half of 2012.

In addition to the benefits of more convenient transport access without the need to carry cash, the myconnect card offering will include a range of solutions, ranging from provisions for monthly and weekly users to concessions for specific users such as learners and pensioners.

The myconnect card has already proven effective in helping the City to address the problem of fare evasion on its public transport systems.

### Meeting the special needs of passengers

MyCiTi is leading the way internationally on universal transport access, which includes access for the disabled; the elderly; young children; passengers with large suitcases, surfboards or prams; pregnant women; and even women travelling alone at night.

Universal access features on the MyCiTi service include:

- tactile paving to help the blind locate the stations and platforms;

- induction loops at ticket kiosks for the hearing impaired;
- closed-circuit television cameras monitored by a control centre; and
- tactile signage and maps.

The City is also making boarding bridges available onto all buses to afford passengers level access on all permanent routes. To ensure that these principles are followed through for all public transport facilities, services and operations, the universal access policy and bylaws are being developed for roll-out in the coming year.

### Extending MyCiTi

The City of Cape Town is planning to roll out several new MyCiTi bus services in the coming months and years. These include an express service between Khayelitsha and Mitchells Plain and central Cape Town, and a service for the transport corridors between the metro south-east and the southern, northern and West Coast suburbs, as there is high passenger demand but no rail service along these routes.

The express service is planned to start in December 2013, and will continue until the Passenger Rail Agency of South Africa (PRASA) finishes its planned modernisation of the Khayelitsha-to-CBD service. At that stage, the express service will be re-evaluated. The aim of the new services is to complement the City's rail service and to meet the needs of commuters on high-demand corridors. Figure 2.4.1 shows the planned roll-out of the MyCiTi bus service.



The City introduced its myconnect card to provide a faster and more convenient service to commuters.



MyCiTi is leading the way internationally on universal transport access, which includes access for bicycles, prams, wheelchairs as well as tactile paving to help the blind.

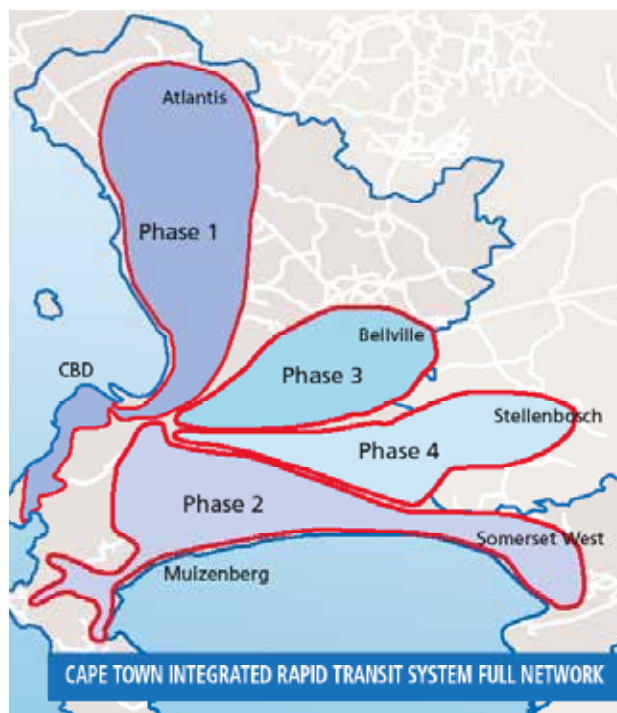


Figure 2.4.1: Proposed roll-out of the MyCiti bus service

### Travel SMART encourages sustainable transport choices

During the year under review, the City of Cape Town launched its innovative Travel SMART programme aimed at encouraging Capetonians to choose more sustainable transport options. A primary focus of the programme is convincing commuters to leave their cars – often single-occupancy vehicles (SOVs) – at home, particularly when travelling to and from work.

Currently in its pilot phase, the programme, which is funded by the United Nations Development Programme, has partnered with six other large employers, including Province, in the Cape Town CBD. Their shared goal is to create awareness among staff and encourage a shift to more sustainable transport options, including public transport, lift clubbing (carpooling), active mobility and non-motorised commuting, such as walking or cycling.

In addition to discouraging SOV use, the Travel SMART programme is aimed at reducing vehicle emissions, lowering travel costs for commuters, and easing congestion on the city's roads. The programme has been selected as one of the flagship projects for Province's '110% Green' campaign, which was recently launched on World Environment Day.

## City to spend R321 million on upgrading public transport interchanges

The City will be upgrading and expanding Cape Town's public transport interchanges over the next five years to accommodate the growth in demand for access and mobility. A total of 25 high-commuter-traffic interchanges have been identified to receive special focus as part of the project, which is anticipated to cost around R321 million. This improvement programme forms part of the City's mobility strategy, which supports the development of a balanced transport system. It focuses on all elements of the transport system, including rail, bus, taxi, cycling, pedestrians, parking management, freight and traffic management information and data. This will be undertaken under the banner of Transport for Cape Town, so as to ensure synergy and a collaborative approach.

## Focus on dedicated public transport lanes

In line with the objectives of the Travel SMART programme, the City undertook an investigation into the commuting habits of Capetonians. The findings revealed that approximately 70% of the inhabitants of Cape Town use public transport to access facilities and services, and that, during peak hours, more than 30 000 commuters use main road public transport routes every day. When this is compared to the approximately 4 000 commuters who use private transport along the same route, it becomes clear that the City needs to invest in more sustainable transport options rather than simply building more roads.

As a first step the City has reintroduced its focus on giving public transport vehicles priority on Cape Town commuter routes via a system of enforced public transport lanes. This focus will also underpin the design of the future expansion of the N2 express MyCiTi bus service to the metro south. The aim is for the existing N2 bus and minibus-taxi (BMT) lane and the main road public transport lanes to form part of a dedicated public transport lane network.

## A focus on commuter safety

During the 2011/12 financial year, the City of Cape Town launched a new specialist law enforcement unit to improve the safety of commuters and enhance their public transport experience. The Transit Unit comprises 30 dedicated law enforcement officers who operate at three of the city's major public transport interchanges, namely Joe Gqabi, Bellville and Cape Town Station deck. The officers are mandated to reduce vandalism and crime in these areas by enforcing the City's bylaws.

An amount of R4,9 million has been made available for the roll-out of the project at the major public transport interchanges. The City will provide security services to Cape Town's other interchanges on a rotational basis, until the necessary funding is sourced to provide a full service at other major interchanges.

## Partnerships in progress

Rail is the backbone of public transport in Cape Town and plays an important role in supporting economic development and social inclusion. It is considered a critical building block in the local and regional economy. As such, the City of Cape Town welcomed the improvement measures announced by Metrorail during the 2011/12 period.

As part of its commitment to working with Metrorail on these upgrades, the City hosted a Rail Summit in February 2012, where a number of operational and commuter-focused issues were identified as requiring urgent intervention. The City remains committed to assisting and supporting Metrorail in implementing the necessary measures to improve Cape Town commuters' overall public transport experience.

Some of the initiatives on which the City and Metrorail are working are:

- removal of graffiti from Metrorail and surrounding infrastructure;
- improved safety and security as well as access control at Metrorail stations;
- an integrated public transport ticketing system;
- integrated timetabling and joint, coordinated communication;
- management of informal settlement encroachment on rail reserves; and
- extending the existing closed-circuit television network and integrating its monitoring with the City's transport management control centre.

## Getting Capetonians moving

The City's vision for transport in Cape Town is that it should become a cycle-friendly and pedestrian-friendly city with a well-connected network of NMT infrastructure providing the opportunity for residents and visitors to walk, cycle or skateboard safely to their destinations. The year under review saw a number of citywide NMT projects being designed, constructed or put out to tender. These include the following:

### Design stage

- Military Road in Retreat and Vrygrond
- Atlantis (the broader suburb)
- Range Road in Blackheath towards the rail station
- Forest Drive in Eerste River
- Albert Road from Liesbeeck Parkway to the existing NMT facility in Adderley Street in the CBD

### Tender stage

- Rondebosch Common
- Bonteheuvel Station and CBD
- Weltevreden Parkway in Mitchells Plain
- Scottsdene/Wallacedene along Old Paarl Road
- Nantes Park in Athlone

### Construction stage

- Merrydale Road in Mitchells Plain
- Concert Boulevard in Retreat
- De Waal/Victoria Roads NMT movement from Grassy Park to Plumstead employment areas
- Freedom Way in Phoenix, Milnerton



## REVIEW OF THE 2011/12 FINANCIAL YEAR

- Langa along Bhunga, Sandile, Jungle Walk and Washington Roads towards public transport facilities
- Delft main phase I
- Delft main phase III
- NY1 in Gugulethu
- NY3 in Gugulethu

In the Khayelitsha area, the following NMT projects have been completed:

- Spine Road phases I and II
- Walter Sisulu phases I and II
- Site C
- Khayelitsha NMT green belt
- Steve Biko Drive

Local labour was used as far as possible in the completion of these projects.

The design of a citywide pedestrian and cycle network has been developed and, as funds become available, the network will be extended in terms of prioritisation of projects and respective areas.

### Building on the park-and-ride success

The 2011/12 financial year saw the City expanding its park-and-ride network in light of the increasing number of residents switching to this system as its value became more apparent, particularly given the spate of fuel price hikes.

The City put 26 park-and-ride stations in place as part of its overall Transport Operations Plan for the 2010 FIFA World Cup™. The second phase of this project will see the roll-out of more facilities over the next five years at a cost of over R50 million. The initial focus will be on stations that have the highest number of public transport users, such as Bellville, Philippi, Mitchells Plain, Khayelitsha, Heideveld, Nolungile, Retreat, Pinelands, Langa, Nyanga, Woodstock, Bonteheuwel, Nonkqubela and Muizenberg.

The park-and-ride solution allows residents to leave their vehicles at a secure facility and transfer to a bus or rail system for the rest of their trip. Park-and-ride facilities offer a stress-free way for commuters to get to their destination during the most congested times on city roads, while also avoiding the need to find often scarce and expensive parking in the city centre.

These facilities also serve the needs of commuters who live beyond practical walking distance from railway stations or bus stops. Most importantly, park-and-ride facilities encourage commuters to use public transport instead of their private vehicles, thus reducing traffic congestion on main arterial routes and lessening the city's carbon footprint due to vehicle emissions.

### IMPROVING THE CITY'S STORMWATER SYSTEMS

During the 2011/12 period the City embarked on a groundbreaking project to improve the quality of stormwater that is collected and channelled into the oceans surrounding Cape Town. A pilot project was initiated in the Three Anchor Bay and Rocklands areas to test the following three technologies, which are designed either to disinfect or divert polluted stormwater before it enters the sea, particularly near bathing areas:

- Diversion of the summer low-flows to sewers (Three Anchor Bay North) – this diversion to sewer method has previously been implemented in other areas such as Hout Bay. Diversion to sewer is only possible where there is capacity in the sewer system, and it is close enough to the stormwater system.
- Granular chlorine disinfection (Three Anchor Bay South) – the earliest date that conclusive results may be available for these tests is the end of December 2013.
- Ultraviolet disinfection (Rocklands) – while this is still in its early stages, the results have been promising. The earliest anticipated date for the trial period to be concluded is at the end of June 2013.

A comprehensive environmental impact assessment, including a full public participation process, was carried out prior to launching the project, which forms part of the City's overall Inland and Coastal Water Quality Implementation Plan and Strategy.

It is believed that this is the first time in South Africa that such technologies have been trialled to treat municipal stormwater. This is considered to be a state-of-the-art approach by international standards. If the pilot trials are successful, the technology could be rolled out to other areas in Cape Town where contaminated stormwater needs to be disinfected before entering the sea.

## SFA 05

# Integrated human settlements

## Key objectives

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

## Main achievements in 2011/12

- Provided 7 141 housing opportunities, including housing opportunities through the informal settlements upgrade programme
- Maintained 3 132 community parks to agreed standards
- Ensured complete grass cover for 472 fenced formal sports fields
- Ensured that 68 libraries operated according to minimum set operating hours
- Maintained 160 community centres to agreed standards



Delivering housing opportunities in accordance with the five-year housing plan is a key objective for the City.

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.

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## About the Human Settlements Directorate

The City of Cape Town's Human Settlements Directorate's key focus is realising the development of integrated and sustainable human settlements, and thereby improving the overall living environment of especially its poorer communities by balancing quantity with quality housing opportunities. The City utilises the full basket of national housing programmes and subsidies, and continues to seek ways to create more opportunities whereby more stakeholders can join as partners in addressing the urbanisation and concomitant human settlements challenge. In achieving its objectives, the Directorate faces a number of significant challenges, the most pressing of which are the following:

- The impact of unabated urbanisation, including migration and new-family formation
- High levels of unemployment and consequent levels of poverty
- Pressure on the City's ageing bulk infrastructure, and resulting increased maintenance requirements
- Slow release of suitable state-owned land for housing development, and the debilitating costs of acquiring privately owned land
- Increasingly diverse housing needs of the various communities
- Massive overcrowding of informal settlements, which inhibits improvement and upgrade efforts
- Lengthy human settlement environmental planning processes
- Cumbersome supply chain management processes and appeals causing delays in the awarding of tenders



Preparation for a new housing development.



## AN INTEGRATED HOUSING STRATEGY

### Committed to providing housing opportunities

Despite a number of challenges, the City created 7 141 housing opportunities during the year under review. Numerous social and gap housing opportunities were also facilitated in conjunction with social housing partners and various banks.

Category		Total
A	Subsidy housing (Breaking New Ground) E.g. Wallacedene, Brown's Farm and Witsand phase 2	3 802
B	Incremental housing (Upgrading of Informal Settlements Programme) E.g. Bardale and Du Noon	953
C	Land restitution claims E.g. Bowwood Road, Claremont	60
D	Social and rental housing E.g. Amakhaya Ngoku in Masiphumelele	60
E	Gap housing E.g. Scottsdene and Ilitha Park sale of serviced sites	109
F	Upgrade of existing rental units E.g. Connaught, Kew Town, Ottery, Hanover Park	2 157
Total		7 141

Table 2.5.1: Summary of housing opportunities delivered during the 2011/12 financial year

In August 2012 the City renewed its social housing partnership agreements with the Cape Town Community Housing Company, the Social Housing Company and Communicare. It further intends to broaden its partnerships by signing agreements with three new social housing partners.

The City maintains its focus on the important gap housing market and, in collaboration with Standard Bank, construction has commenced on the housing project on

11th Avenue and 22nd Avenue in Elsies River. Similar, future projects in partnership with Standard Bank and Nedbank are currently in the planning stages.

Over and above this achievement, the City acquired a further 63,2 ha of land for housing purposes during the financial year. This land purchase contributes to the delivery of housing opportunities as well as land banking for future developments and the decantation required for informal settlements' upgrades.



The City follows an integrated approach to housing delivery to ensure social cohesion.



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### ISIS a world first for City of Cape Town

At the end of November 2011 the City of Cape Town achieved a world first by going live with its exclusively developed Integrated Spatial Information System (ISIS). This integrated property data management system allows the City to better manage all transactions relating to the various properties or land parcels located within the municipal area.

The status of the more than 700 000 properties in the city is continually changing as a result of transactions such as property transfers, subdivisions, rezonings, etc. The information relating to these properties needs to be maintained and updated for city planning, decisions about land use management and building development, and for the valuation and billing of properties. ISIS effectively integrates the City's property information and property records management systems into one system. The previous, disparate systems caused delays in capturing and making data available, incomplete information about the property, data inconsistency between departments, and delayed handovers between departments as a result of manual processes.

The new system offers a single spatial view of a property with all its attributes and transactions, accessible by all City staff. Updates will be synchronised and processes automated, which will improve coordination between City departments such as Valuations, Revenue, Planning and Building Development Management, Property Management and Human Settlements, as well as the Deeds Office, Surveyor-General and conveyance attorneys.

The benefits of this integrated system include time savings, streamlined processes, eliminating duplication, provision of accurate information and enhanced customer interaction. The system will help with service delivery. For instance, new properties will be captured onto the system once approved, and information about the new properties will immediately be available for services installation and valuation. This will improve the City's income, as properties can be billed much quicker than before.

Through the integration of the City's SAP-ERP transactional system with the mapping of information through geographic information systems (GIS), all the City's transactions related to properties will also be geographically displayed, making it possible to do spatial analysis of transactions.

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The City's integrated property data system is a world first in allowing better management of all transactions relating to properties.

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## Urbanisation framework

Urbanisation places significant pressure on the economic, environmental, social and financial resources of the city, as well as increases the demand for goods and services, especially for the poor, who cannot look after themselves financially. Therefore, the City's urbanisation framework includes the development of an urbanisation strategy and implementation plan to inform decision making about how alternative and innovative service delivery and sustainable development models can be developed and receive allocated financial resources.

It is critical that the City proactively manages any long-term future urban growth, while at the same time facilitating and ensuring well-coordinated and effective provision of essential services to its citizens. This approach must also address present infrastructure backlogs and dysfunctionalities in relation to housing in particular, as well as any associated social and economic impacts.

To this end, the City intends establishing a high-level reference group comprising both external and internal urbanisation experts, the main function of which will be to provide support and advice in the development and implementation of the strategy.

## Backyarder service programme

The backyarder service programme provides families living in the backyards of the City's rental stock with improved access to municipal services. Under the programme, it is intended that all so-called backyard dwellers will receive an enclosed concrete structure that houses a toilet, tap, washing trough and electricity connection for up to three informal structures.

The installation of these services has already commenced and is approximately 75% complete in the pilot area of Factreton. As part of the programme, the City's Solid Waste Management Department also provides one additional refuse bin per backyard to encourage correct disposal of all refuse generated by households and backyarder families.

Planning processes for the next two pilot areas – Langa and Hanover Park – are well under way. The balance of City rental stock will be provided with these basic services systematically. This initiative will ensure that the living conditions of these backyard residents are improved, and that their important health and sanitation concerns are addressed.

## Improving informal settlements

Improving the living environments of residents of Cape Town's informal settlements is a key focus area for the City. This also aligns with the national strategy of creating sustainable human settlements and improving the quality of household life. During the year under review, the City undertook a critical review of its existing Informal

Settlements Master Plan. The key aim of this plan is to provide shared basic municipal services to residents living in informal settlements. However, providing these services has become a major challenge due to the massive overcrowding and the unplanned positioning and location of many of the structures in these settlements – hence the review.

The results of the review showed the need for a modified strategic approach. This entails converting key information from the Informal Settlements Master Plan into an Informal Settlements Development Matrix, which will inform a holistic approach to the incremental upgrade of settlements.

## Municipal housing accreditation

On the back of its level 1 and 2 housing accreditation, the City concluded an implementation protocol and deed of delegations with Province's Department of Human Settlements on 14 June 2012. This formalises the Human Settlements Minister's decision for the City to administer all national and provincial housing programmes in Cape Town. The City will therefore be responsible for approving and administering all future projects funded, inter alia, through the Urban Settlements Development Grant (USDG) and Human Settlements Development Grant (HSDG). The approval authority in the City vests with a legally constituted Project Review Committee (PRC), which provides high-level assessments and recommends projects for approval.

The City has commenced the process of applying for level 3 assignment (the National Department of Human Settlements has changed level 3 from accreditation to assignment) by engaging with Province's Department of Human Settlements to draw up a capacitation plan.

## Urban Settlements Development Grant

The 2011/12 financial period was the first year in which the City received the R824 million Urban Settlements Development Grant (USDG). The USDG is a national grant that provides the City with funds to supplement its capital investment programmes for infrastructure and land development. The intention is that this will promote and result in economic growth, job security and job creation, as well as lowering the costs incurred by poorer urban households in accessing serviced land with secure tenure for accommodation.

The grant allows the City proactively to manage rather than merely respond in an ad-hoc manner to Cape Town's urban growth and development needs and challenges. In order to qualify for the USDG, the City had to submit its Built Environment Performance Plan (BEPP) to National Treasury and the National Department of Human Settlements. The BEPP was informed by a range of plans and compliance with statutory processes, including:

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## REVIEW OF THE 2011/12 FINANCIAL YEAR

- the Budget and Reporting Regulations and process (Municipal Finance Management Act and Division of Revenue Act);
- supply chain management regulations;
- the City's Integrated Development Plan (IDP);
- the City's SDF;
- the Integrated Transport Plan; and
- the Directorate's five-year Integrated Human Settlements Plan.

In the 2011/12 period the City managed to spend 91,40% of its USDG funding allocation. Line departments that benefited from the grant included the following:

- Water and Sanitation
- Roads and Stormwater
- New Settlements
- Sport, Recreation and Amenities
- Solid Waste Management
- Electricity Services
- Health
- Transport
- Existing Settlements
- Informal Settlements
- Land and Forward Planning
- Social Development
- Parks
- Urbanisation (backyarder programme)

On 28 May 2012 Council approved the reviewed 2012/13 BEPP for submission to the relevant authorities to secure future USDG funding.

### Upgrade of rental stock

The City has continued to upgrade its rental stock as part of phase 1 of the community residential unit upgrade programme. The programme will see the refurbishment of rental units as well as various other interventions aimed at the enhancement of the living spaces surrounding the units. It is envisaged that phase 1 of the programme will be completed in the coming financial year.

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## Awarded for excellence

The City's community residential upgrade (CRU) project received the award for Housing Project of the Year at the 2011 International Housing Conference hosted by the Southern African Housing Foundation. The CRU project also received an award for the best project in the Institute of Municipal Engineering of Southern Africa (IMESA) Western Cape 2011 branch awards.

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### Enhancing service

In order to improve service delivery, upgrades to the housing estate offices in Melton Rose, Bonteheuwel, Parow Park and Manenberg were completed during the 2011/12 period. The Manenberg office, now renamed as the Manenberg Human Settlements contact centre, is the City's first 'green' building, and opened its doors for service to the public on 18 April 2012. The building achieved a four-star Green Star status for design – a first for any South African municipality, and only the second Green Star-rated building in Cape Town.

### Housing Safety Unit

On 16 May 2012 the City officially launched its new Housing Safety Unit to act against anti-social behaviour, which has become prevalent across many of the City's rental housing areas. The establishment of the Unit was made possible through a partnership agreement between the Human Settlements and Safety and Security directorates. Members of the Unit have been empowered to act as peace officers, which gives them full authority to police the City's rental units.

## DRIVING EFFECTIVE URBAN RENEWAL

### The NDPG in action

The Neighbourhood Development Partnership Grant (NDPG) aims to create economically viable, institutionally and socially empowered, environmentally safe and people-centred neighbourhoods. Municipalities are encouraged to invest through the NDPG in public facilities and places to leverage private-sector investment and improve the collateral value of property. The key focus is on nodes and business centres to create a critical mass of community and commercial facilities and amenities.

The Harare node in Khayelitsha is a good example of the way in which substantial investment can be achieved through the NDPG, and what a difference such investment can make to residents and communities. The node, which serves the residents of the Monwabisi Park informal settlement and the formal residents of Harare, has received support from the NDPG in partnership with the Urban Renewal Programme, the Violence Prevention through Urban Upgrading initiative, the community, KfW (the German development bank), numerous non-governmental organisations and the private sector. Thus far, this collaborative investment has delivered numerous benefits, including work-live units, the award-winning Harare Library (in partnership with the Carnegie Foundation) and the upgrade of other municipal services through sustainable structural and functional improvements. As a direct result, the attractiveness of the node has increased measurably, which bodes well for the prospect of future private-sector investment.



Community involvement in developments aims to create people-centred neighbourhoods.



## REVIEW OF THE 2011/12 FINANCIAL YEAR

In 2001 National Government launched its Urban Renewal Programme (URP). Subsequently, a number of initiatives commenced in the City to address urban poverty and underdevelopment in the two pilot areas of Khayelitsha and Mitchells Plain. These included the following:

Facility/initiative	Upgrade details	Budget
<b>Lookout Hill tourism facility</b>	Installation of fencing, access gates; removal of rubble and management of community dynamics	R2,7 million
<b>Monwabisi Resort chalets</b>	Retrofitting of chalets with bedrooms, sitting rooms, carports, braai areas, internal toilets and showers, and conversion of previous ablution facility into multi-purpose hall	R5,2 million
<b>URP community visible-policing project</b>	Deployment of 240 neighbourhood watch members at crime hot spots during the festive-season periods; implemented in partnership with the South African Police Service (SAPS), Metro Police and the community police forums	R0,2 million
<b>Blue Waters chalets</b>	Transformation of ten one-roomed chalets into five two-bedroom units, and 14 one-roomed chalets; all upgraded with kitchens, en-suite bathrooms and braai facilities. In 2012/13 upgrades will be made to the camping site, Paton Place (conference facility), hard and soft landscaping, and the ablution facilities	R11 million (total). This is funded from URP equitable-share funds.
<b>Traffic circle on the intersection of Caravelle and Eisleben Roads in Rocklands</b>	Construction of a four-way intersection on the corner of Caravelle and Eisleben Roads due to the high number of accidents that have occurred on this corner	R2 million; funded from URP equitable-share funds
<b>Spine Road drop-off facility</b>	Establishment of a solid waste drop-off facility to serve communities in Mitchells Plain and the surrounding areas (launched in August 2012)  The project included the following components:  Drop-off point for general waste, garden refuse, builder's rubble and recyclables  Ablution facilities  Training centre for environmental education  Road infrastructure  Hard and soft landscaping	R5 million; funded from URP equitable-share funds
<b>Construction of the Watergate access road</b>	Construction of an access road to provide public access to the Watergate housing development and the new district hospital in Mitchells Plain  The project is still ongoing and will be realised within the next three years.	R1 million (estimated)  Public-private partnership initiative funded by City of Cape Town URP, Province's Department of Human Settlements, and New Age Property Developers

Table 2.5.2: Upgrades to community facilities in 2011/12

## Enabling community leadership

The capacitation of the Civil Society Leadership programme is an initiative aimed at accurately assessing and identifying capacity-building and training needs among civil society organisations in various communities, in order to equip these bodies better to lead the development of their areas and people.

During the year under review the URP Department undertook two such Civil Society Leadership programmes in Mitchells Plain and Khayelitsha, and a comprehensive report of all findings will inform future capacity-building interventions in these communities. Planning is under way for the implementation of similar programmes in the OR Tambo and Nonkqubela Station precincts.

## Driving development through effective frameworks

In 2006 the OR Tambo and Nonkqubela Station precincts were identified by the URP Spatial Development Framework as important gateway nodes to Khayelitsha. The two precincts are earmarked as future URP anchor projects, as

they are in line with the URP's overall objective, which is to enable systematic and sustained interventions to alleviate poverty and significantly address underdevelopment and socio-economic exclusion in Khayelitsha. The URP Department has recently completed development frameworks for the two precincts.

## A PLAN FOR THE FUTURE

During the year under review the final draft of the five-year Integrated Human Settlements Plan for the period 2012/13 to 2016/17 (as aligned with the current administration's term of office) was signed off. The plan focuses on various short-, medium- and long-term objectives, while highlighting key challenges and steps that need to be taken to overcome these. Pipelining and planning of projects has become a focal point of the plan, with a view to ensuring that future delivery targets can be achieved.

Discussions were held with Province's Department of Human Settlements on the City's housing opportunity delivery targets, to ensure alignment and reporting. The housing delivery targets are summarised in the table below:

Project description	2012/13 sites	2012/13 structures	2012/13 other (CRU upgrades and shared services)	2013/14 sites	2013/14 structures	2013/14 other (CRU upgrades and shared services)
Rental units upgrade (CRU)			1 496			1 744
New rental units/hostels (CRU)		467			940	
Breaking New Ground and gap projects	4 676	2 597		7 638	4 493	
IDA and Emergency Housing Programme projects	500			500		
People's Housing Process/consolidations		1 256			1 205	
Upgrading of Informal Settlements Programme projects	1 054			1 079	66	
Gap 'land sales'	235			135		
<b>TOTAL</b>	<b>6 465</b>	<b>4 320</b>	<b>1 496</b>	<b>9 352</b>	<b>6 704</b>	<b>1 744</b>

Table 2.5.3: Summary of housing delivery targets for 2012/13 and 2013/14

*Note: Figures reflected above are subject to review and change as part of the City's IDP process and to ensure alignment with provincial targets.*

## EQUITABLE PROVISION OF COMMUNITY FACILITIES

The City uses the integrated community facility provision map (generated by the Council for Scientific and Industrial Research) as well as targeted facility usage and needs studies to prioritise the provision of community facilities across Cape Town. This approach is aimed at addressing the previously inequitable distribution of community facilities, and ensuring alignment between provision and community needs.

### About the Community Services Directorate

The Community Services Directorate is responsible for providing equitable and sustainable community facilities to facilitate programmes and community development in general, promote healthier lifestyles and help strengthen the social fibre of households and communities. These programmes often involve collaboration and partnerships with churches, community organisations, non-governmental organisations, the corporate sector, different tiers of government and other stakeholders. The departments falling under this Directorate include the following:

- **City Parks** – Responsible for greening, conserving and managing Cape Town's zoned public spaces. This includes 11 district parks, 3 133 community parks, 38 cemeteries, one crematorium and 1 862 hectares of centre islands, sensitive natural areas and recreational areas alongside rivers and water bodies.
- **Library and Information Services** – Two citywide, 22 regional, 74 community, four satellite and three mobile libraries provide the citizens of Cape Town with access to information, entertainment and education, and help to meet their cultural and recreational needs. Development activities range from storytelling, school holiday and reading programmes to peer leadership and capacity-building programmes.
- **Sport, Recreation and Amenities** – Provides, manages and maintains 180 community centres (including halls, recreation centres, multi-purpose centres, civic centres, youth and family centres), 23 sports facilities (indoor centres and stadia), 524 sports fields, 36 swimming pools, 28 beaches and 14 resorts.



City libraries provide citizens with access to information, entertainment and education.

## Developing and upgrading community facilities

### Sport and recreation facilities

The following sport and recreation facilities were upgraded during the 2011/12 financial year:

- Blue Waters Resort
- Phase 3 of the Seawinds sports complex
- Masiphumelele
- Atlantis and Wallacedene sports complexes
- Turfhall Stadium
- Huguenot Square and Masibambane halls
- Monwabisi chalets

One of the significant upgrades currently under way is the revamp of the old Green Point athletics stadium and track. The remnants of the old Green Point athletics stadium, track and clubhouses – some of which were either partially or completely demolished for the construction of Cape Town Stadium – will soon be transformed into a completely revamped 5 500-seater, International Association of Athletics Federations-approved, multi-use athletics stadium, complete with new clubhouses and changing rooms as well as an upgraded A-track. This project forms an integral part of the new Green Point Urban Park.

### Maintaining and upgrading public open spaces

Nine public open spaces were upgraded during the past financial year. These were the Maitland, Welmoed, Delft and Kuils River cemeteries, the Durbanville rose garden, Jack Muller Park, the Khayelitsha wetlands and Athlone's Nantes Park. Contractors for both the capital development and ongoing maintenance projects used local labour, and a total of 84 community members were employed for the year.

The City also partnered with the Department of Environmental Affairs on various projects. These included the development of several undeveloped public open spaces in Delft 7–9, where greening and landscaping occurred via EPWP-driven local labour sourcing and training programmes. A number of other parks were also upgraded and developed. These included Westridge Park in Mitchells Plain, Longmead Park in Voorbrug, Saffraan Park in Delft South, and Maclear and Wolwedans parks in Belhar.

The upgrades included fencing, grassing, introducing play equipment, planting trees and installing lighting as well as various items of street furniture. The projects not only enhance the environmental aspect of the area, but also provide alternative activities for children, who are regularly confronted with many social challenges.

The City worked closely with a team of project managers and landscape consultants to develop plans for these projects, ensuring that interested and affected parties were consulted thoroughly during the process to obtain their buy-in.

### City beaches are the best

The City was awarded Blue Flag status for eight of its beaches across the metropole, namely Bikini Beach, Camps Bay, Clifton 4th Beach, Mnandi, Muizenberg, Strandfontein, Silwerstroom and Llandudno. This exceeds the target of six Blue Flag beaches set for the period. Lonely Planet Travel Guide readers also voted Cape Town the second-best beach city in the world.

## An example of community commitment – Jack Muller Park

The Jack Muller Community Park project included the construction of 2,2 km of service roads within the park for easy access by service vehicles and park users. A complete irrigation design was drawn up for the park, as well as a signage master plan that will guide visitors. Ten new picnic tables constructed of recycled plastic were introduced to the park, and another 26 almost-mature indigenous trees were planted.



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### City residents get to flex their muscles ... outdoors

The City of Cape Town received a donation of gym equipment as part of its project to create outdoor gyms in public open spaces in partnership with Outdoor Gyms and the Biokinetics Association of South Africa. Many residents do not have the financial resources to join a formal gym, so the roll-out of these outdoor gyms will enable them to enjoy and benefit from free, accessible health and lifestyle facilities.

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#### Cemetery development and extensions

During the year under review, infill development was completed at the Maitland, Muizenberg, Plumstead, old Khayelitsha and Gugulethu cemeteries, while the Klip and Welmoed cemeteries were extended. The new Khayelitsha and Wallacedene cemeteries have been either partially or fully developed, and are now available for community use.

#### Making reading accessible

The Masiphumelele satellite library was converted into a community library with effect from 1 January 2012. This library is a significant success story, having developed from a small facility into a fully-fledged library with a unique character and service offering. As a result, it has attracted great local and international interest over the years, and has enjoyed continued support of various forms.

As a result, the Masiphumelele library was one of 14 winners of an international Electronic Information for Libraries Public Library Innovation Programme grant. The grant enables public libraries in developing and transition countries to replicate successful public library services that serve the needs of communities.

During the year under review Rocklands Library also won the provincial Cultural Affairs and Sport award for best library – the fourth time this library has received an award at this event, having previously earned the accolades of Most Involved Community Library, Best Public Library, Best Children's Services and Best Youth Services.

In the City's annual customer satisfaction survey, Library and Information Services achieved the highest respondent rating of all City services.



Providing community facilities like sports fields promote healthier lifestyles and help strengthen the social fibre of households and communities.

## SFA 06

# Safety and security

## Key objectives

- Foster a safe and secure environment for all in Cape Town

## Main achievements in 2011/12

- 22% increase in arrests for drug-related crimes
- 82% of fire incidents responded to within 14 minutes, from call to arrival
- Launched action plan to tackle drug and alcohol abuse



The Safety and Security Directorate is committed to ensuring a safe and secure environment for all City residents.

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# About the Safety and Security Directorate

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The Directorate consists of six departments: Law Enforcement and Security, Traffic and Licensing Services, Metropolitan Police Services, Fire and Rescue Service, Disaster Risk Management and the 107 Public Emergency Communication Centre. It is committed to ensuring a safe and secure environment for all the City's residents, by combating crime and disorder, reducing vehicle speed and accidents, improving response time to emergency fire calls and reducing disaster risk. To achieve this, the following core objectives and programmes for 2012/13 and beyond have been identified:

- Expanding staff and capital resources in the policing departments and emergency services, to ensure improved services to all communities
  - Information and technology-driven policing via the Integrated Spatial Emergency Response Management System (ISERMS/Smart Cop system), introduction of advanced patrol vehicle technology, expansion of the neighbourhood safety officer programme, crime prevention through environmental design and information-led special operations
  - Improving safety and security through partnerships – extending the neighbourhood watch assistance project into new areas, introducing a school resource officer programme and having a Civilian Oversight Committee in place
  - Strengthening community capacity to respond to emergency situations by the introduction of fire wardens, emergency coordinators and various disaster risk public awareness programmes
  - Improving the efficiency of policing and emergency staff through effective training
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### POLICING

The City has three policing departments: 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 City's 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 could potentially have a negative impact on the quality of life of law-abiding Capetonians.

During the period under review 112 492 citations were issued for bylaw offences across the city. Significant results were also achieved in the combating of illegal land invasions, with 100% of reported cases being successfully managed. This effectively means that land invasions were prevented in Cape Town over the 12-month reporting period.

The Problem Building Unit was launched in 2011 and yielded a number of successes, including the following:

- 511 problem buildings were investigated, of which 199 complaints were finalised
- 34 buildings were boarded up by owners in compliance with the instructions of the Department

At the time of producing this report a further 312 properties were under investigation. The Unit will be increased in the new financial year to build on the success achieved thus far.

The City's Vice Squad played a vital role in combating human trafficking. Thirteen potential victims were rescued from suspected traffickers and taken to various safe houses in and around the city. This Unit is also responsible for policing sex solicitation in Cape Town, and investigated numerous properties suspected of marketing or enabling prostitution.

The Metals Theft Unit also enjoyed significant success, closing down 22 illegal scrap dealers during the period under review.



## Cracking down on gangs

The Gang Unit was established in December 2011 in response to the increase in gang-related violence in some of the city's areas. Members of the Unit were seconded from the Tactical Response Unit and operational areas. The Unit was deployed in the Hanover Park and Lavender Hill areas as part of a pilot phase.

The Unit's operational approach involves tracking gang activity in the two pilot areas, and building profiles on known gang members. During the period December 2011 to May 2012, 26 confirmed gang members were arrested for possession of narcotics, and a further 82 arrests were made at suspected gang-run drug-dealing premises.

## A plan to combat drug and alcohol abuse

The City has approved a comprehensive strategy to address drug and alcohol abuse in Cape Town. The key focus areas and objectives of the strategy include improved law enforcement, more treatment facilities, enhanced awareness and better intergovernmental coordination.

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 1 781 such arrests made.

In addition, the Law Enforcement and Specialised Services Department's Liquor Control Unit stepped up its action against illegal liquor outlets by conducting 701 inspections of suspected illegal liquor trading premises. The Department has succeeded in closing down 99 illegal shebeens across the city, and ensuring that these remain closed. In the 2011/12 financial year a total of 7 732 bottles of alcohol were confiscated and 1 038 fines issued for contravening the City's Liquor Bylaw.

## Working together

### Externally funded member programme

The City's externally funded member programme 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 during the past year, and there are now 180 additional law enforcement officials deployed as a result of this collaborative approach.

### Neighbourhood watch assistance

The City's neighbourhood watch assistance programme, which was initiated in 2008, has as its main objective the strengthening of capacity in local communities to prevent crime and disorder. A total of 1 588 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.

## School resource officer programme

An agreement has been entered into with the Western Cape Education Department that will see the deployment of six school resource officers at selected schools. The officers will be specially trained Metro Police members, who will provide general law enforcement services at the school, identify and address underlying problems that lead to crime and disorder, provide early identification of criminal activities among youth at risk, and work with the schools and communities to prevent juvenile delinquency.

## TRAFFIC SERVICES

### Getting road users on a journey to compliance

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

The Traffic Bylaw was promulgated in July 2011. One of the most significant aspects of this legislation is that it allows traffic law enforcement officers to confiscate and impound cellphones from motorists who are found to be in contravention of the law.

Partly as a result of this more stringent traffic policing legislation, the past year has seen a reduction in fatalities as a result of accidents and crashes on the city's roads. The City continues to target accident hot spots for ongoing monitoring. An example of the effectiveness of this approach is the White Road level crossing in Retreat, which now has a camera monitoring system that has resulted in a number of prosecutions of motorists who have failed to come to a complete halt at the stop signs.

Between July 2011 and the end of June 2012 Traffic Services recorded 1 678 939 offences and made 34 191 arrests (2 749 for driving under the influence of alcohol).

Traffic Services continues to follow a strong partnership-driven approach, and has renewed its contracts with OUTsurance, which will be funding a mobile traffic service, and Century City Property Owners' Association, which is the first private body to agree to pay for the services of a dedicated, qualified traffic officer.



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## REVIEW OF THE 2011/12 FINANCIAL YEAR

### Putting the 'service' into Traffic Services

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 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.

Eastridge Driving Licence Centre was opened during the year under review, and became the first centre to offer electronic learner driver's classes in July 2012.

### EMERGENCY SERVICES

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

#### Fire and Rescue Service

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 also implemented various programmes to educate and raise awareness around fire and life safety at a number of at-risk communities, as well as programmes on building, structure and events safety.

The fire training facility at Epping obtained full accreditation status, and is now registered to provide educational and awareness fire training. The service has benefited from significant investment over the last few years, primarily thanks to 2010 FIFA World Cup™ funding. This has served to move it closer to its goal of complying with the SANS 10090 code for community protection against fire.

It provides employment for 120 additional seasonal firefighters to assist with bush, veld and grass fires. The work of this dedicated team of firefighters ensured that there were no major bush or veld fire incidents during the past financial year.

The Fire and Rescue Service dealt with over 37 000 incidents, of which over 26 000 were medical or trauma incidents (which do not fall within the ambit of the service's core functions). No major mountain or vegetation fires or informal settlement blazes occurred during the year under review.

The Fire and Rescue Service practised very good fiscal discipline and stayed within its operating budget during the period, while spending 99,98% of its capital budget allocation. Building commenced on Melkbos Fire Station and this is on track for completion during the 2012/13 financial year.

The service managed to implement an EPWP project, which resulted in the temporary employment and upskilling of more than 90 people as part of its hydrant cleaning and general worker programme.

Two of the City's firefighters obtained top marks in their requisite national examinations.

### Committed to responding quicker and communicating better

The City has set itself a target of responding within 14 minutes – from call to arrival – to at least 80% of all fire incidents. During the period under review this target was exceeded by 2%.

The capacity of the City's 107 Public Emergency Communication Centre was enhanced to ensure a continued acceptable level of service to the community in life and property threatening situations. This included the recruitment of personnel to deal with distressed callers, as well as public education and awareness staff tasked with visiting communities to promote the service and encourage safety within the home, school or workplace. During the 2011/12 period, the technology supporting the centre was migrated to a new, locally developed call-taking application.

While many nuisance calls are still received on the toll-free lines, the centre managed to answer 95% of all calls within 20 seconds. For the period under review the Public Emergency Communication Centre answered a total of 571 045 calls.

### Disaster risk management

During the period under review the Comprehensive Disaster Risk Assessment saw the prioritisation of identified hazards, and the systematic formulation of disaster risk management plans as part of preparedness and disaster risk deduction measures.

The City was approached by the International Council for Local Environmental Initiatives to sign up as a role-model city for its 'Making Cities Resilient – My City is Getting Ready' campaign in collaboration with the United Nations International Strategy for Disaster Reduction. A key requirement for qualification as such a role model is for a city to demonstrate good practices in building resilience and safety in at least five of the campaign's '10 Essentials for Making Cities Resilient'. The City of Cape Town demonstrated eight of the 10 essentials, including:

- risk-reducing organisation and coordination;
- risk assessment;
- investment in risk-reducing infrastructure;
- safe schools and health facilities;
- risk-compliant land use regulations;
- education and training programmes;
- ecosystem and natural-buffer protection; and
- early-warning system.

## SFA 07

# Health, social and community development

## Key objectives

- Facilitate the development of a healthy and socially inclusive society

## Main achievements in 2011/12

- Limited the number of days when air pollution exceeded World Health Organisation (WHO) guidelines to 125
- Reduced the prevalence of antenatal HIV (excluding known positives) to 9,9%
- Slowed the rate of increase in tuberculosis to 742 per 100 000
- Implemented 25 targeted development programmes
- Opened eight new community recreation hubs
- Installed 57 FreeCall lines in outlying areas and disadvantaged communities in Cape Town



The 'Get Tested' campaign is ongoing with numerous outreaches citywide.

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### About the Health Directorate

The City of Cape Town Health Directorate works with all spheres of government, and in partnership with Province's Health Department, to meet national and provincial targets by ensuring there is a coordinated and integrated health service available to the citizens of Cape Town. The core business of the City Health Directorate is environmental health services – including water quality monitoring, food control, waste management, health surveillance of premises, surveillance of communicable diseases, vector control, environmental pollution control, disposal of the dead, and chemical safety. Air and noise pollution are also local government functions, with the City having adopted an Air Quality Management Plan.

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### About the Social Development and Early Childhood Development Directorate

This Directorate focuses on creating opportunities for communities to meet their developmental needs in order for them to become resilient and self-reliant. Collaboration and partnerships with key stakeholders within the non-governmental (NGO) sector, business and other spheres of government form the basis upon which these initiatives are designed, planned and implemented.

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#### IMPROVING QUALITY OF LIFE

In partnership with Province's Health Department the City Health Directorate currently operates according to a service level agreement, which guides the delivery of 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, namely:

- 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;
- the provision of effective environmental health services, including air quality management, pollution control and noise pollution; and
- 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.

#### IMPROVING AIR QUALITY

During the 2011/12 financial year the number of days on which air pollution in Cape Town exceeded WHO guidelines was 125. This is better than the stated target for the period of 133 days, and points to the growing success of the City's Air Quality Management Plan (AQMP). The aim of this plan is to achieve and maintain clean air in the city over the next 10 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.

## CARING FOR CITIZENS IN INFORMAL SETTLEMENTS

The City has a stated objective of ensuring that an environmental health practitioner visits every informal settlement in Cape Town at least once every week. This translates into a total of 13 776 such visits. During 2011/12 this target was significantly exceeded, with 15 293 visits undertaken.

## THE FIGHT AGAINST HIV/AIDS

The City's efforts to address, prevent and treat HIV are encapsulated in a key strategic programme of the City Health Directorate, delivered in partnership with Province. Currently, City Health offers antiretroviral therapy (ART) at 22 sites throughout Cape Town.

Against a target of 19,6%, the City maintained its previously achieved reduction in the prevalence of antenatal HIV (i.e. HIV in pregnant women) at 9,9% in the 2011/12 financial year. This excludes known positives. The citywide 'Get Tested' campaign is ongoing, with numerous outreaches having taken place during the reporting period at shopping malls and other public places to encourage citizens to determine their HIV status. Daily HIV testing was also offered free of charge at all City health facilities.

## KEEPING TB UNDER CONTROL

The tuberculosis (TB) rate of increase per 100 000 residents continued to slow over the past year, reaching a figure of approximately 742, which is significantly better than the target of 1 120 for the year. The cure rate for new smear-positive TB for the third quarter of 2011 was 83,3%, with four subdistricts having achieved the national norm of 85% or better. The significance of this achievement is highlighted when viewed against the 67% achieved in 2004. The City's cure rate for new smear-positive TB was once again the best of all metropolitan areas in the country.

## COMBATING SUBSTANCE ABUSE

The abuse of alcohol and other drugs is not only harmful to the users of these substances, but also negatively affects the well-being of families, communities and the broader society. In October 2011 the City developed its Alcohol and Other Drug Harm Minimisation and Mitigation Strategy: 2011–2014, which details the strategic plan to minimise and mitigate the harm of alcohol and other drug (AOD) use, including tobacco.

During the period under review the outpatient substance abuse treatment centres at Tafelsig, Table View, Delft South and Town 2 clinics continued to do excellent work among sufferers of substance abuse from surrounding communities. Together, these centres assisted 1 328 new clients during the year under review.

The City of Cape Town's Delft South Matrix clinic received a certificate of excellence from the American Matrix Institute, in recognition of the City's excellence and achievement in programmes based on the Matrix model.

## PROMOTING MEN'S HEALTH

The City of Cape Town officially opened a men's clinic in Gugulethu on 17 February 2012. The clinic is the result of a partnership with the Sonke Gender Justice Network. The need for a dedicated men's clinic was identified after it was noted that men are often reluctant to visit general clinics. A second men's clinic was opened at the Bellville taxi rank on 1 June 2012.

## TARGETED DEVELOPMENT PROGRAMMES

During the period under review, the City implemented 25 targeted development programmes, significantly exceeding its objective of 20 programmes for the year. These programmes are designed to have a sustainable positive impact on the social fabric of communities through focused training and skills development among low-income individuals and groups.

## 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.

## 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 City facilities, such as sports fields, community recreation centres, multi-purpose centres, parks and libraries. The programmes often involve collaborations or partnerships with churches, community organisations, NGOs, the corporate sector, different tiers of government and other stakeholders. A variety of developmental activities are on offer, ranging from storytelling, arts and crafts, school holiday programmes, library orientation sessions and reading programmes, to initiatives for peer leadership, sport and recreation, and capacity building.

## SPORT AND RECREATION PARTNERSHIPS

A total of 39 sport and recreation partnerships were established during the past financial year, thereby further promoting the development of sport and recreation across the city. This exceeds the target for the period of 36 such partnerships.

Particular highlights of these sport and recreation partnerships included:



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## REVIEW OF THE 2011/12 FINANCIAL YEAR

- the Coaching for Hope programme that offers football coaching for girls;
- hosting the Commonwealth Weightlifting Championships;
- the Volvo Ocean Race;
- the 17th Junior World Judo Championships;
- the 9th ISF Junior Women's World Softball Championships; and
- the 2012 Absa Cape Epic mountain bike tour.

Many of these partnerships included developmental initiatives within various disadvantaged communities.

In order to host the women's world softball championships successfully, the City embarked on an extensive refurbishment of Turfhal Stadium, transforming it into a world-class facility. A key objective of the event was to promote sport participation in Cape Town and, to this end, various development programmes were hosted throughout the tournament. The City of Cape Town aims to build on this experience and success to ensure that Cape Town grows in stature as a local and international sporting destination of choice.

### NEW RECREATION HUBS

The City officially opened an additional 18 recreation hubs during the 2011/12 financial year, adding to the 10

that were opened in the previous reporting period. The recreation hubs are community facilities that focus on implementing a variety of sport and recreation activities for at least five days a week, and least three hours per day. Recreational sports and other activities target all sectors of the community, namely children, youth and adults, and are facilitated by qualified staff, volunteers, NGOs, clubs and federations. The hubs form part of the City's strategy to bring sustainable activities and programmes back to identified community centres.

### CELEBRATING LIBRARY WEEK

The City joined in the celebrations of SA Library Week 2012 between 17 and 24 March 2012, and made the most of the theme 'Develop @ Your Library'. The theme was decided by the Library and Information Association of South Africa, and was chosen to highlight the role that libraries play in developing their communities, be it through special programmes, classes, storytelling or workshops. Various partnerships were formed for the purpose of presenting these programmes at many of the City's libraries.

The week was launched by means of a special event at Sea Point Civic Centre, which also celebrated the signing of the implementation protocol between the City and the Western Cape Provincial Library Services.

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## Masiphumelele Library expands computer lab

Masiphumelele Public Library is replicating the internet access and training programme of the Ghana Library Board in Tamale (Northern Ghana). The programme builds young people's leadership and technology skills to increase their chances in life and their employability. This project is directly aimed at empowering the youth in the area, and providing support in various forms of in-kind and financial contributions to children at risk.

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### WORKING FOR OUR WETLANDS

In recent years the City has developed highly successful working relations with the Wildlife and Environmental Society of South Africa, the Cape Peninsula University of Technology, the Department of Water Affairs and several NGOs, including the Environmental Monitoring Group and Coalition for Environmental Justice.

Together with these partners and the URP Unit in Khayelitsha, Khayelitsha Wetlands Park held its first World Wetlands Week programme during the period under review. The programme included community activities and information workshops, environmental programmes for school groups and clean-up campaigns involving more than 750 people. As a direct result of the programme 100 community members decided to continue to offer a volunteer programme that undertakes weekly clean-ups of the park. The intervention has also had a positive impact in terms of reducing the amount of illegal dumping in the area.

## SFA 08

# Good governance and regulatory reform

## Key objectives

- 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, and asset and risk management
- Establish effective community engagement channels

## Main achievements in 2011/12

- Ninth consecutive unqualified audit opinion from the Auditor-General of South Africa
- Maintained City's credit rating of Aa2.za/P-1.za for seventh consecutive year
- Spent 92,8% of capital budget
- Spent 103,89% of workplace skills plan budget



The City is one of the first municipal entities to have taken important measures to ensure good governance.

## REVIEW OF THE 2011/12 FINANCIAL YEAR

### THE FINANCIAL SERVICES DIRECTORATE

The main purpose of this Directorate is to enable the City to provide effective, efficient and affordable services to its citizens, in compliance with the Municipal Finance Management Act. The top management structure consists of the Chief Finance Officer and 10 directors.

### NINTH UNQUALIFIED AUDIT

For the ninth consecutive year, the City of Cape Town received an unqualified audit opinion from the Auditor-General of South Africa, confirming its continued compliance with the required legal accounting frameworks for government as well as all financial legislative requirements.

### CITY MAINTAINS ITS HIGH INVESTMENT CREDIT RATING

The City's credit rating reflects its ability to repay its long- and short-term liabilities. In 2011/12, for the seventh consecutive year, the City maintained its credit rating of Aa2.za/P-1.za.

### GOOD GOVERNANCE AS A SUSTAINABLE FOUNDATION

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 to ensure such governance, including:

- the formation of the Municipal Public Accounts Committee (MPAC);
- the institution of an anti-corruption hotline;
- the formal adoption of the King Code of Governance Principles for South Africa, 2009 (King III); and
- 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.

### INTERNAL AUDIT

Internal Audit is an independent department reporting administratively to the Deputy City Manager and functionally to the City's independent Audit Committee as delegated by Council. The Department is a significant contributor to governance within the organisation, thus promoting the City's commitment to being 'a well-run city'. Its function is a requirement of the Municipal Finance Management Act (Act 56 of 2003) and is largely directed by the international standards for the professional practice of internal auditing of the Institute of Internal Auditors (IIA).

The Department 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. Internal Audit 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.

Internal Audit developed a combined assurance framework to provide a coordinated approach to all assurance activities, thereby ensuring proper coverage and minimising duplication of efforts. Combined assurance must be sufficient to satisfy the Audit Committee that significant risk areas facing the organisation are adequately addressed. Internal Audit, with input from other assurance providers, reports quarterly on the implementation of the framework.

Key outcomes and achievements by Internal Audit during the period under review included the following:

- **Execution of the annual internal audit plan** – In terms of the MFMA and IIA standards, the Department developed and executed its risk-based internal audit plans. 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 1 March 2012 and 84% 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.
- **Quality assurance improvement programme** – The Department 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 Department's conformance with the IIA's international standards and code of ethics, as well as Internal Audit's approved charter and methodology. An external quality review will be performed during the 2013/14 financial year, in line with the requirements of the IIA.

- **Contributions to corporate governance** – The Department 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.

## Key initiatives and projects

During the year under review, the Internal Audit team implemented various audit techniques to enhance the value added to the organisation. These include the following:

- **Client account management** – The use of internal audit client account managers is intended to build and maintain relationships between the Department and its clients, with specific focus on client expectations, support, satisfaction and perceptions. Internal Audit developed terms of reference for its client account managers, which include key roles and responsibilities, as well as the type, level and frequency of interaction required to build and maintain client relations. The internal audit client account manager process was implemented, with one-on-one sessions held with individual executive directors, as well as sessions with their senior management teams.
- **Control self-assessment** – Internal Audit continues to roll out control self-assessment (CSA) projects 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. CSA is a process whereby an organisation's management and staff evaluate their own risks and controls. It can be applied to projects, processes, business units and functions, or basically any area of an organisation. Assessments are facilitated by Internal Audit through a series of meetings, questionnaires and/or workshops.
- **Continuous auditing** – Continuous auditing is a technique used to provide a snapshot of the state of automated controls in order to enable timeous and regular assurance of control effectiveness by

monitoring the compliance with key controls. At the start of the 2011/12 year the City of Cape Town Continuous Audit Strategy was used as a foundation for the implementation of the continuous audit methodology and operational plan for at least two business processes (SAP manual journals and SAP revenue master data) and one IT area (SAP basis). For Internal Audit to achieve the qualitative benefits of continuous auditing, change was required to internal audit resources, methodologies, procedures and technologies currently utilised. One of the lessons learnt is that the City's Internal Audit Department requires a dedicated data analytic team to reach the full benefit of a continuous audit solution. This will assist with the current gaps identified by Internal Audit management in the audit resources, processes and technology. It is envisaged that the benefits of this will only materialise during the 2012/13 financial year as the continuous audit solution starts to mature.

- **Combined assurance** – Internal Audit will review and update the combined assurance framework to ensure its adequacy, effectiveness, efficiency and relevance. Internal Audit will further develop a combined assurance plan, with input from management and other assurance providers, to provide an overview as to how significant risk areas facing the organisation are addressed and how assurance activities are coordinated to ensure adequate coverage and to minimise duplication of assurance efforts.
- **Consulting services** – Internal Audit includes a provision in its annual audit plans to finalise and implement a consulting services framework, strategy and methodology, aimed at increasing the range of value-added services that Internal Audit provides to its stakeholders, while maintaining its independence in relation to assurance services. Consulting services comprise a wide range of activities based on management's needs. These services can be tailored to resolve specific issues that senior management has identified as requiring attention and can be advisory, educational, and/or facilitative in nature.



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# The Corporate Services Directorate

This Directorate is a multidisciplinary strategic partner to all the other City directorates, providing value-adding policies, strategies, processes, systems, interventions, knowledge and expertise. Its core functions include the following:

- **Strategic Human Resources** – Develops, drives and implements human resource strategies, programmes and interventions across the City in order to ensure the alignment of staff and business needs
- **Employee Shared Services** – A centre of excellence for transactions across a range of human resource and corporate administrative functions, providing strategic direction and corporate guidelines on occupational health and safety management, employee wellness and records management
- **Information Systems and Technology** – Maximises the use of information technology (IT) within the City to improve service to citizens, transform public services and enable the City to become a more efficient and effective local authority
- **Employment Equity (EE)** – Strategic direction and corporate guideline development for the City's EE policy and EE plan for transformation
- **Communication** – Ensures a two-way flow of information between the City, its staff, residents, media and other stakeholders in a credible, cost-effective and professional way
- **Customer Relations** – Provides an effective service to the City's customers to address their requirements in terms of access to municipal service delivery
- **Specialised Technical Services** – A professional, specialist function (both administrative and technical) to ensure available resources are effectively used, business demands met, operating systems maintained, and employees receive the information and resources necessary to perform their work
- **Strategic Development Information and Geographic Information Systems (GIS)** – Ensures all relevant information and knowledge are managed, retained and shared across the organisation at a corporate level, to support decision making regarding service delivery and the future development of the city

## HUMAN RESOURCES

The City's Human Resources function is aimed at ensuring enhanced service delivery with efficient institutional arrangements by increasing levels of employee morale.

### Organisational Development and Transformation (OD&T) Plan and Human Resources Strategy

The City's OD&T Plan sets out to improve service delivery standards by aligning staff delivery with business strategies, implementing business improvement initiatives, and expanding the use of technology to improve customer access and business processes. The key objectives are as follows:

- Shifting the organisation to a high-performance culture, based on best-practice benchmarking, by aligning people strategies with business strategies
- Measuring the improvement in service delivery and staff productivity against national and international standards
- Identifying and prioritising key projects that would have the greatest impact on service delivery
- Enhancing service delivery through the development and implementation of institutional frameworks and business systems, including alternative service delivery mechanisms

The OD&T Plan includes a human capital management programme, a business improvement programme, and an integrated e-HR programme, which is enabled through a SAP-based human capital management system.

Important Human Resources deliverables achieved during the period under review included the following:

- The establishment of a database of internal and external trained mentors and coaches in support of career and leadership development
- Conclusion of a skills audit of 3 641 employees in the T10–T13 employee categories, and development of personal development plans for employees, which will serve as inputs into performance assessments
- Implementation of a streamlined and automated individual performance management system for employee levels T14 and above
- Maintaining a low turnover rate of 6,30% within the scarce-skills environment, which is well below the target of less than 12%. This, coupled with a 4,33% growth in staff within the scarce-skills categories, confirms the City's position as an employer of choice in local government.
- In-service training opportunities provided to 365 students from local tertiary institutions that require structured practical work exposure as part of their qualification
- Awarding of 59 new external bursaries to candidates in critical and scarce-skill areas

- Implementation of 13 learnership programmes (345 learners) and 11 apprenticeship programmes (190 apprentices)
- Improved employee literacy and numeracy levels through the implementation of ongoing adult education and training
- Establishment and ongoing roll-out of four cross-cutting business improvement projects (property value chain, customer information management, management accountability and service management) aimed at improving service delivery, increasing revenue or ensuring cost containment

### The e-HR programme delivers results

The City's e-HR programme provides line managers with integrated electronic tools to manage automated HR business processes and employee applications, as well as the ability to track these applications and automated business processes so as to identify bottlenecks and accountability easily. To date the e-HR programme has delivered:

- ongoing savings arising from the roll-out of time management functionality, including e-leave and e-time and attendance via the City's SAP-enabled portal;
- Absenteeism rates have improved from 5.29% to 5.08% over the 12 months from 1 July 2011 to 30 June 2012. This figure has shown consistent improvement since the introduction of electronic time management;
- implementation of a SAP-based employee relationship management and interaction centre known as the HR Service Desk, to serve as a single point of reference for all staff-related matters;
- roll-out of a SAP-enabled individual performance management system in support of the talent management framework and the requirements of the Municipal Systems Act;
- training of 40% of computer users on relevant SAP HR modules in support of the roll-out of various automated HR business processes, such as individual performance management;
- roll-out of SAP incident management as part of the occupational health and safety strategy; and
- development and implementation of HR business indicators.

The City was recognised for its best-practice SAP human capital management implementation by SAP International. The City of Cape Town's implementation and roll-out of the SAP-based human capital management system is currently being used as a case study to showcase its benefits to other organisations.

## REVIEW OF THE 2011/12 FINANCIAL YEAR

### Employee relations

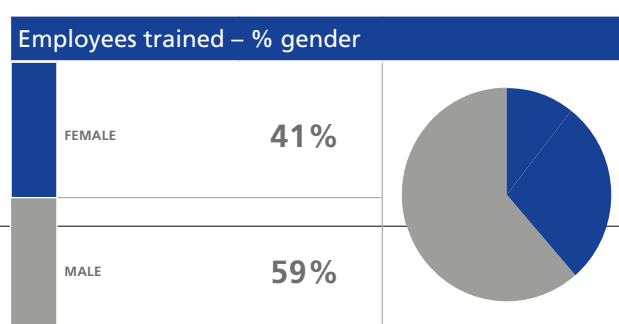
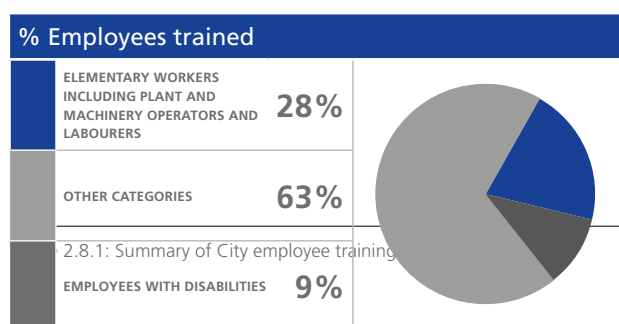
The City has enjoyed a high level of industrial stability over the past five years, with very few strikes arising from local disputes. This is attributable in part to the efforts of collective bargaining, and labour relations strategies aimed at stabilising the administration and building constructive relationships with both unions. The City has been effectively managing collective bargaining processes and building productive working relationships with the South African Municipal Workers' Union (SAMWU) and the Independent Municipal and Allied Trade Union (IMATU). Altogether 1 932 managers were trained during the period under review in various aspects of labour relations, including discipline, grievance management, managing incapacity, sexual harassment, substance abuse and poor performance.

### Employment equity

The City is in the middle of its five-year Equity Plan (2010–2015), and has agreed on a consultative structure for employment equity, training and development matters with its various trade unions. The City is committed to taking affirmative-action measures to ensure equitable representation of suitably qualified people from the designated groups at all occupational levels and in all categories. These affirmative-action measures include management and inclusion of people with disabilities, empowerment of women, and monitoring the implementation of workplace skills plans and personal development plans of all staff in all directorates.

Over the year in review these measures, in conjunction with a number of other key interventions, have allowed the City to:

- improve its race equity figures, although there are areas that continue to present challenges, specifically in functions that require critical and scarce skills;
- increase the total number of staff with disabilities from 176 to 217;
- audit a total of 71 Council buildings to ensure accessibility for people with disabilities;
- enable 1 228 staff from various departments to attend diversity workshops, and 33 staff to be trained on gender mainstreaming;
- introduce various awards in recognition of women empowerment initiatives, for which various departments compete as part of an annual Women's Day event;
- implement a programme in support of the 16 Days of Activism Against Gender Violence campaign, which culminated in the handing out of information brochures and symbolic white ribbons, and councillors' signing of a pledge of non-violence against women and children;
- participate in public hearings aimed at scrutinising employers in terms of their empowerment of women and implementation of gender equity; and
- monitor training recipients by gender and by focus area, such as personnel in elementary jobs, people with disabilities, etc.





City staff at work.





## REVIEW OF THE 2011/12 FINANCIAL YEAR

### STAFF PROFILE – CITY PROFILE 30 JUNE 2012

OCCUPATIONAL LEVELS		African	Female Coloured	Indian	White	Female Total
Benchmark target/%		13,85%	23,80%	0,37%	8,08%	46,10%
		2	1	0	2	5
<b>1 000</b> Top management (T23+)	Actual	14,29%	7,14%	0,00%	14,29%	35,71%
Target short/over		0	2	0	(1)	
Overall target		2	3	0	1	6
		4	4	0	8	16
<b>2 000</b> Senior management (T19–T22)	Actual	5,33%	5,33%	0,00%	10,67%	21,33%
Target short/over		6	14	0	(2)	
Overall target		10	18	0	6	34
		85	187	7	212	491
<b>3 000</b> Professionally qualified and experienced (T14–T18)	Actual	4,63%	10,18%	0,38%	11,54%	26,73%
Target short/over		169	250	0	(64)	
Overall target		254	437	7	148	847
		786	1 224	17	531	2 558
<b>4 000</b> Skilled technical and academically qualified (T9–T13)	Actual	12,10%	18,85%	0,26%	8,18%	39,39%
Target short/over		113	322	7	(6)	
Overall target		899	1 546	24	525	2 994
		1 059	1 989	14	393	3 455
<b>5 000</b> Semi skilled and discretionary decision (T5–T8)	Actual	11,79%	22,14%	0,16%	4,37%	38,46%
Target short/over		185	149	19	333	
Overall target		1 244	2 138	33	726	4 142
		605	922	3	10	1 540
<b>6 000</b> Unskilled and defined decision making (T1–T4)	Actual	7,51%	11,44%	0,04%	0,12%	19,12%
Target short/over		511	995	27	641	
Overall target		1 116	1 917	30	651	3 714
Race/Gender representation		9,98%	17,00%	0,16%	4,54%	31,68%
Grand total		2 541	4 327	41	1 156	8 065

### EE COMPLIANCE

ALL STAFF TOTAL	25 460	100,00%
NON-DESIGNATED/MM TOTAL	2 056	8,08%
TOTAL EE COMPLIANCE	23 404	91,92%

Table 2.8.1: Staff profile of the City of Cape Town

## STAFF PROFILE – CITY PROFILE 30 JUNE 2012

	African	Coloured	Male Indian	White	Male Total	Grand Total	DISABILITY TARGET
	<b>15,89%</b>	<b>27,37%</b>	<b>0,55%</b>	<b>10,09%</b>	<b>53,90%</b>	<b>100,00%</b>	<b>2%</b>
	2	3	0	4	9	14	0
Actual	14,29%	21,43%	0,00%	28,57%	64,29%	100,00%	0,00%
	0	1	0	(3)		14	0
	2	4	0	1	8	14	0
	8	17	1	33	59	75	1
Actual	10,67%	22,67%	1,33%	44,00%	78,67%	100,00%	1,34%
	4	4	(1)	(25)		75	1
	12	21	0	8	40	75	
	131	494	21	700	1 346	1 837	34
Actual	7,13%	26,89%	1,14%	38,11%	73,27%	100,00%	1,85%
	161	9	(11)	(515)		1 837	3
	292	503	10	185	990	1 837	37
	648	2 351	25	912	3 936	6 494	64
Actual	9,98%	36,20%	0,38%	14,04%	60,61%	100,00%	0,99%
	384	(574)	11	(257)		6 494	66
	1 032	1 777	36	655	3 500	6 494	130
	1 327	3 842	13	347	5 529	8 984	76
Actual	14,77%	42,76%	0,14%	3,86%	61,54%	100,00%	0,85%
	101	(1 383)	36	559		8 984	104
	1 428	2 459	49	906	4 842	8 984	180
	2 308	4 141	7	60	6 516	8 056	42
Actual	28,65%	51,40%	0,09%	0,74%	80,88%	100,00%	0,52%
	(1 028)	(1 936)	37	753		8 056	119
	1 280	2 205	44	813	4 342	8 056	161
	<b>17,38%</b>	<b>42,61%</b>	<b>0,26%</b>	<b>8,08%</b>	<b>68,32%</b>	<b>100,00%</b>	<b>509</b>
	<b>4 424</b>	<b>10 848</b>	<b>67</b>	<b>2 056</b>	<b>17 395</b>	<b>25 460</b>	<b>2,00%</b>
							<b>0,85%</b>

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## REVIEW OF THE 2011/12 FINANCIAL YEAR

### COMMUNICATION

The year under review saw a number of integrated communication initiatives being successfully run, which either showcased specific aspects of service delivery or marketed the City of Cape Town in a positive light. The following were some of the significant success stories:

- An ongoing campaign to promote the roll-out of the new MyCiTi service. The campaign is designed to promote awareness of the service among its target market and to maximise the use of the system. This campaign will intensify over time as MyCiTi is extended to other parts of Cape Town.
- A successful Mandela Legacy event and auction in City Hall, which raised R2,7 million for various charities
- Presentation of Cape Town's 2010 World Cup hosting experience as a case study to Brazilian host cities with a view to the 2014 FIFA World Cup™
- Significant involvement in the 2014 World Design Capital strategy, bidding, judges' visit, communication, marketing and activation
- Multimedia campaign to secure Table Mountain's title as one of the New7Wonders of Nature

The Department continues to perform a cross-cutting, strategic, advisory corporate role in all communication aspects of the City. It disseminates quality public information through a variety of channels, including:

- news media;
- City publications, including a resident newsletter, staff newsletter and corporate flagship publications such as the annual report;
- electronic communication and social media; and
- communication campaigns on specific aspects of service delivery, like water, solid waste, electricity, environmental management, etc.

It further operates as the brand and reputation custodian for the City, producing a wide range of branded communication material, and monitoring how the City is perceived in the public media.

During the year under review the staff newsletter, *Contact*, won the award for the best corporate publication in South Africa for the fourth time in a row, beating a number of leading private-sector publications. Three other publications produced by the Department also won category awards.

### INFORMATION AND TECHNOLOGY

The City of Cape Town has established what is arguably the leading local government IT system in South Africa, and is regarded internationally as being one of the leading exponents of enterprise resource planning (ERP) technology

in local government. More than 13 000 personal computers are used to enable process automation, thereby ensuring a consistent service level, and access to information from any municipal facility anywhere in the metropolitan area.

During the period under review the City remained at the forefront of technological advancement. Through a new spatial information system that fully integrates spatial systems with the ERP business system, the City has established a solid technological platform to equip many of its core business processes with a spatial ability. The first business process to benefit from this integrated system has been the property value chain, through which property-related processes have been automated and integrated with other core transactional systems, such as the billing system.

By taking advantage of the high level of process automation achieved to date, the City has been able to introduce a number of online facilities that enable citizens to transact with the City via the internet. Cape Town residents can now simply go online to query municipal invoices, enter meter readings and log service requests relating to a wide range of City services. Through the introduction of these services, people who prefer to transact online and who have internet access are able to enjoy the convenience of self-service, which has the added benefit of removing some of the pressure from the City's call centre.

The City continued to drive its strategy of consolidating all systems and data within its data centres. During the past year construction started on the expansion of the primary data centre. This consolidation strategy will improve information security, but carries the risk of placing an even greater dependency on the telecommunications infrastructure. For this reason the first phase of the City's broadband optic fibre network was commissioned during the year. This network of 270 km of underground cable provides high-speed broadband connectivity to more than 70 municipal facilities. A minimum capacity of 1 Gbps is now being provided between these sites and the City data centres.

As a result of this increase in available 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, such as spatial information systems and video surveillance capabilities.

The full roll-out of the broadband infrastructure will, however, take a number of years. For this reason a wireless network has been established as a more immediate tactical solution. This has improved the network capability of remote City buildings, and will have a positive impact on the City's business systems through which citizens are served.

The City's dependence on its information and communications technology (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 Executive Management Team (EMT) Governance Committee, which has adopted the King III Guide to Corporate Governance and Code of Governance Principles.

## SMART CAPE COMPUTER FACILITIES ARE CHANGING LIVES

Smart Cape is an initiative of the City of Cape Town aimed at ensuring that all residents have free access to basic information and communication technologies. The City has developed a model for public access that compares to international local government best practice. It provides cost-effective Internet facilities using open source software, existing infrastructure, and available resources. Currently there are over 280 643 registered Smart Cape users of the more than 100 facilities available at various libraries across the city. Through this initiative the City is successfully bridging the digital divide by allowing all people the opportunity to use the Smart Cape facilities to send and receive e-mails, type CVs and assignments, apply for jobs online, conduct research, and even play games.

## 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 (SPEARS).

The Department spent 97,21% of its capital budget and achieved a score of 97,30% in the asset verification process for the 2011/12 financial year.

Facilities Management is responsible for managing 96 corporately owned buildings, including a portfolio of leased-in buildings across the city. Critical interventions in the last year included the following:

### Mechanical infrastructure refurbishment

- Heating, ventilation and air-conditioning systems refurbishment, in particular the replacement of three chillers to improve the air-conditioning system in Cape Town Civic Centre
- Replacement of three cooling towers that support the above
- Installation of two new lifts at the Parow municipal buildings

### Electrical infrastructure refurbishment

- Replacement of four transformers to improve electricity infrastructure

- Recarpeting and replacement of the sound system of the Council chamber

### Civil infrastructure refurbishment

- Reduction in rented office space, rather making use of Council-owned facilities
- Redesign of office space and layouts at Cape Town Civic Centre to ensure optimal utilisation of space
- Repaving and hard landscaping to the external surrounds of Cape Town Civic Centre

### Contract and tender administration

- Acquisition of a number of external service providers to assist with the provision of its service menu

Fleet Management is responsible for managing over 4 000 corporate vehicles and plant, including the purchase, disposal and deployment of such assets, the implementation and management of various services such as vehicle repairs and maintenance, on-road vehicle refuelling, vehicle tracking and usage monitoring. The past year saw the:

- introduction of internal operational agreements signed by customers using the City's fleet;
- completion of the roll-out of on-board computer installations;
- training of supervisors to enable direct access to vehicle management reports on the new remote asset management system;
- introduction of a new Fleet Management Policy to provide guidance on correct use and care of assets;
- rationalising and centralising of the office and workshop space requirements in line with City initiatives; and
- increasing of interim assistance provided to IRT on the bus fleet and planning for the new Technical Support Division.

SPEARS is responsible for all radio communications and the following electronic services throughout the city:

- A terrestrial trunked radio communications system with 30 remote sites and 11 600 emergency and municipal service users
- Closed-circuit television (CCTV) systems with 1 800 cameras to ensure maximum security at 300 facilities and depots
- Security alarm systems to monitor all Council facilities, with 1 400 remote sites
- Electronic services, including 44 access control systems, nine fire detection systems, 80 public address systems, an audiovisual support service for the executive suites



## REVIEW OF THE 2011/12 FINANCIAL YEAR

and the Council chamber in the Civic Centre, and an identification and access control card manufacturing facility for all 26 000 employees

During the 2011/12 financial year SPEARS installed two additional radio trunking sites at Cape Town Civic Centre and the radio control centre to improve coverage. Further data services were developed for a traffic wireless application protocol-based offence code look-up via radios, and the use of radio trunking for water telemetry stations.

A total of 30 new closed-circuit television sites and 50 new security alarm sites were also commissioned, while 150 alarmed sites were converted from privately run to internally monitored.

The audiovisual system for the Council chamber was upgraded for improved reliability and increased functionality.

### CUSTOMER RELATIONS

The City's corporate call centre answered a total of 926 051 calls during the period under review. 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, as well as motor vehicle registration and traffic fines.

The Customer Relations Department continued to install FreeCall lines in municipal buildings, such as housing offices, libraries and community centres located in outlying areas and disadvantaged communities. New FreeCall lines have been installed in areas such as Atlantis, Wallacedene and Mfuleni. By 30 June 2012 a total of 57 FreeCall lines had been installed with the aim of improving access to service delivery through the City's call centre. Cape Town residents are able to use the FreeCall lines to report faults, register complaints and make enquiries at no personal cost.

The City's Customer Relations Department also implemented a new call centre support learnership for unemployed work seekers, in cooperation with an external organisation. As a result 32 learners received call centre

knowledge and practical working experience within the municipal working environment.

An independent service provider conducted a customer satisfaction survey among users of the City's call centre in 2012. The call centre achieved a score of 4 out of 5 on the Likert scale. The customers indicated that they experienced consistently excellent customer service from the call centre.

### Annual community survey

As part of its commitment to being a 'well-run city', the City of Cape Town conducts an annual Community Satisfaction Survey. The information that the survey provides is invaluable, as it helps to identify and work towards meeting the needs of all citizens. The findings also inform and refine the planning and implementation of municipal services.

The fifth annual perception survey (2011/12) was conducted by a contracted independent service provider, using statistically valid and reliable samples to ensure representivity across the city. It took place in October and November 2011, and comprised 3 000 face-to-face interviews with residents of Cape Town and 700 telephonic interviews with Cape Town-based businesses. It also included five focus groups with residents to probe and investigate issues in more depth.

The results for 2011/12 and overall performance trends over the past five years have been positive and represent a general upward trend in satisfaction by residents and businesses. The first survey was conducted in 2007/8.

The findings are summarised below:

### Residents' survey

#### Overall perceptions of the City in 2011/12

A total of 63% of residents said that, overall, the City of Cape Town's performance was good, very good or excellent (up from 62% in 2010/11).

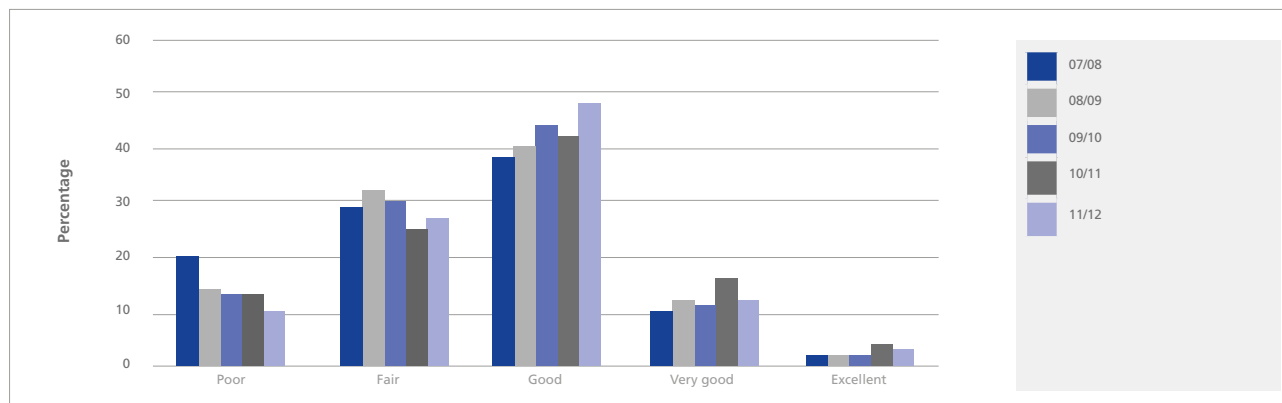


Figure 2.8.2: Comparison of overall perceptions of the City by residents

### City as a service provider in 2011/12

Altogether 62% of residents rate the City of Cape Town as good, very good or excellent in fulfilling its role as a public service provider (the same as in 2010/11 and up from 58% in 2009/10).

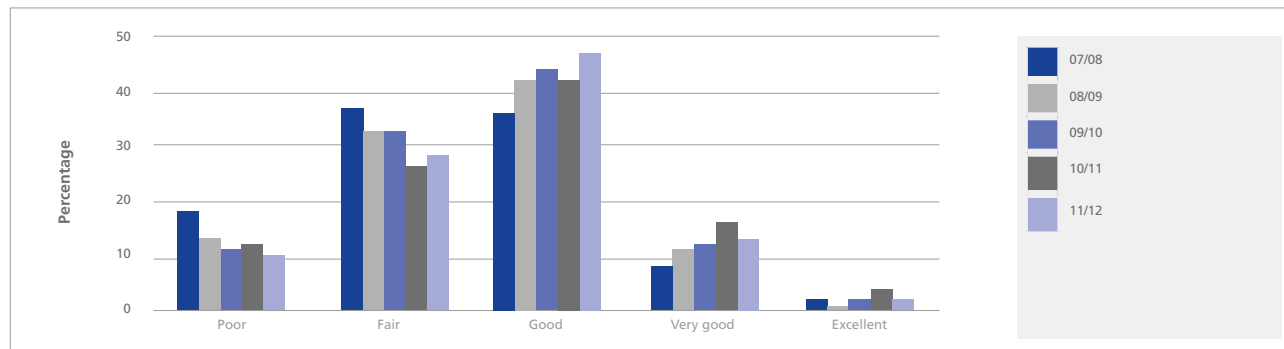


Figure 2.8.3: Comparison of perceptions of the City as a service provider by residents

### Trust in the City in 2011/12

Of those residents surveyed, 69% rate their level of trust in the City of Cape Town as fairly strong, very strong or extremely strong (up from 66% in 2010/11).

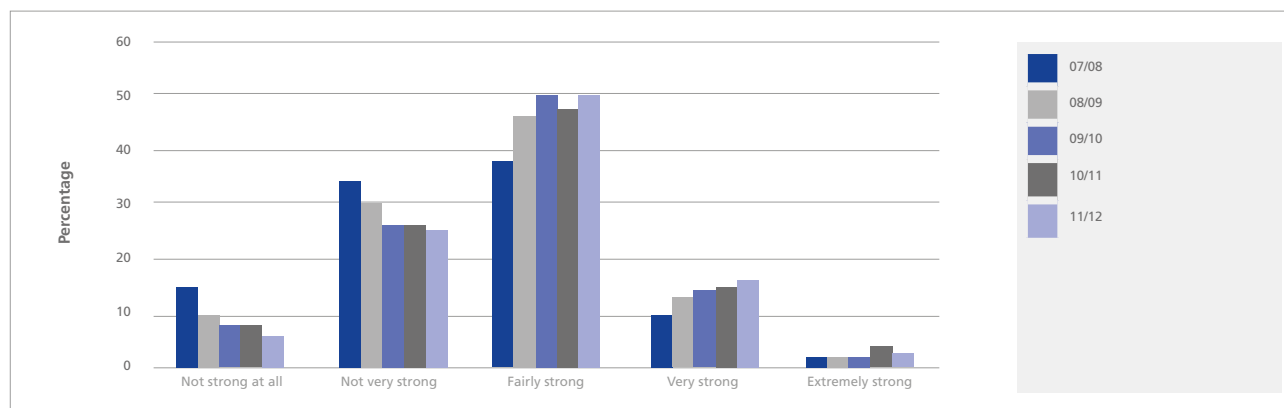


Figure 2.8.4: Comparison of levels of trust in the City by residents

The following areas of strength, among others, were identified in the 2011/12 residents' survey:

- Essential services remain a relative area of strength for the City overall, particularly water provision, sewerage and sanitation, as well as refuse collection.
- Stormwater drains being regularly cleaned and prevention of stormwater flooding have shown improved ratings by residents in the past year and continue as a positive upward trend.
- In terms of community services, parks have shown an improvement in both the short and long term, while library services continue to be rated by residents as good.
- Law enforcement scores have improved overall, both in the long term and in the past year. Illegal dumping, illegal land settlement and noise have again been identified as important concerns to residents.
- Environmental and conservation services have improved across most categories, with cleanliness of the urban environment showing a significant improvement.

- Fire and emergency services continue to be a priority for residents, and these services have shown improvement in response times to emergency situations.
- The provision of affordable transport has shown an improvement in the long term, with all other perceptions of transport remaining stable both in the long and short term.

Areas identified as requiring improvement in the 2011/12 resident's survey include the following:

- Roads: The maintenance thereof and of the surrounding grass areas, and traffic congestion
- Civic halls, recreation and community centres, swimming pools and sports fields have all shown a very small decline in rating over the past year
- The City provides extensive health services through City clinics. While this is an unfunded mandate and a service that overlaps with other spheres of government, it is in keeping with the City's commitment to being a 'caring

## REVIEW OF THE 2011/12 FINANCIAL YEAR

city'. Due to the quality of care provided, City clinics are placed under pressure through greater demand for their services. As a result, areas of improvements exist particularly in terms of waiting times at clinics.

- Residents have expressed dissatisfaction in the area of human settlements. Approximately 380 000 households have expressed a need for housing opportunities. The reasons for this are complex and include the divided historical past of the city, and legislative and budgetary constraints. The City continues to look for innovative solutions to the housing challenges, and to maximise the provision of housing opportunities.

- Overall, residents' main priorities for the City remain job creation and crime prevention. Fighting corruption has increased in priority this year, and was rated at a higher priority than housing provision.

### Business survey

#### Overall perceptions in 2011/12

Of the businesses surveyed, 84% said that, overall, the City of Cape Town's performance was good, very good or excellent (up from 80% in 2010/11).

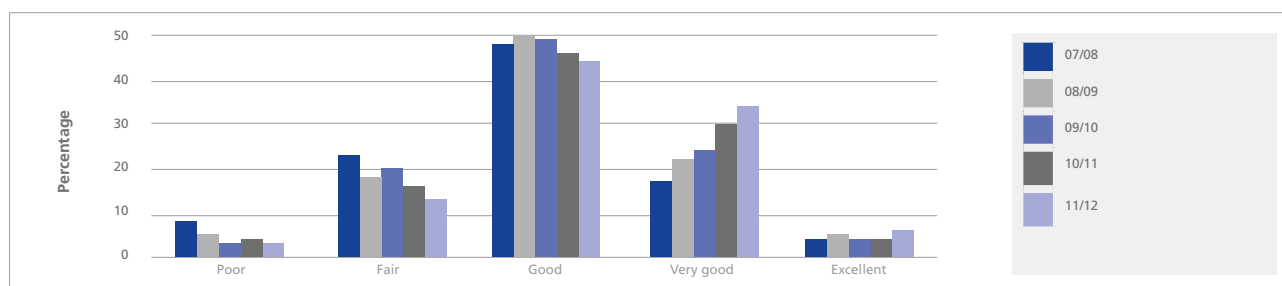


Figure 2.8.5: Comparison of overall perceptions of the City by businesses

#### City as a service provider in 2011/12

Altogether 83% of businesses rate the City's performance in fulfilling its role as a provider of municipal services as good, very good or excellent (up from 81% in 2010/11).

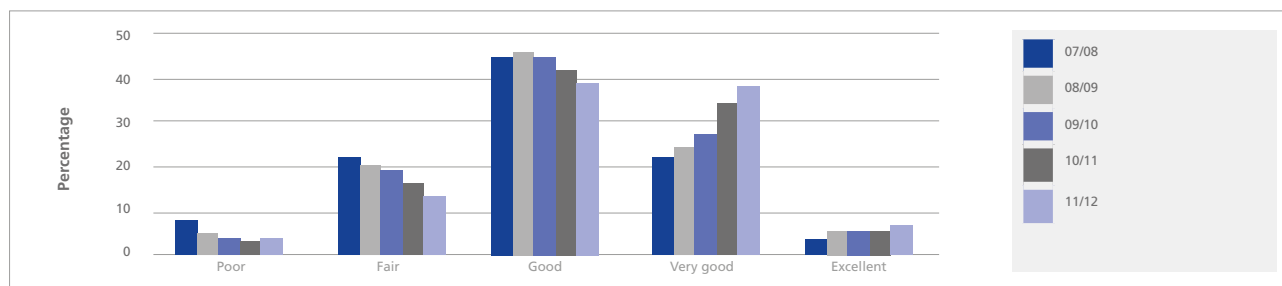


Figure 2.8.6: Comparison of perceptions of the City as a service provider by businesses

#### Trust in the City in 2011/12

A total of 84% of businesses rated their level of trust in the City of Cape Town as fairly strong, very strong or extremely strong (up from 81% in 2010/11).

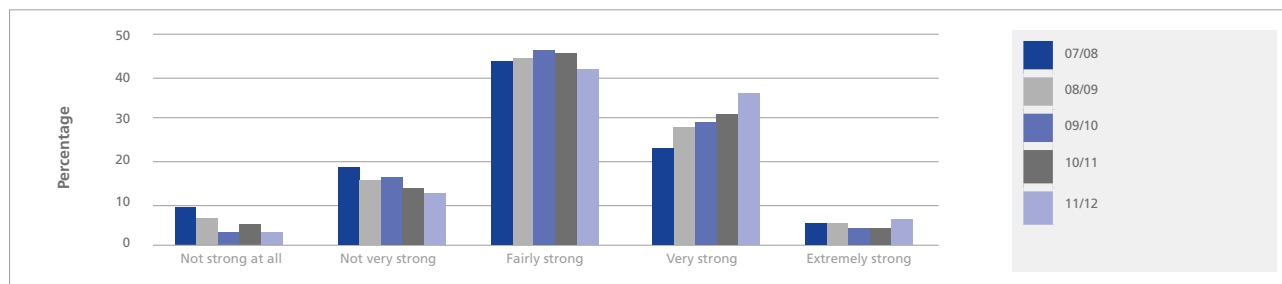


Figure 2.8.7: Comparison of levels of trust in the City by businesses

Areas of strength identified in the 2011/12 business survey are as follows:

- The City's service delivery in terms of billings and payments to business continues to enjoy the highest ratings, and has remained stable relative to previous years.
- Perceptions regarding the City's service delivery in terms of almost all essential services have remained stable. Roads, stormwater and litter collection/sweeping are all essential service delivery areas that have shown significant improvements.
- Law enforcement has improved significantly since 2007/8, and there has also been a significant perceived improvement in the safety of the environment in which businesses operate, and adequate measures being in place to address corruption in the city in the past year.
- The interaction between the City and business has shown a significant improvement in the past year.

The following areas needing improvement have emerged from the 2011/12 business survey:

- Putting adequate measures in place to address corruption in Cape Town
- Attending to electricity faults
- Action on complaints about noise and other disturbances
- The provision of safe, reliable and punctual public transport

- Safety and security remains a top-of-mind concern for business.
- Electricity tariffs being affordable and water costs being charged at reasonable rates remain concerns for businesses in Cape Town.

## MUNICIPAL ENTITIES

The City has one municipal entity, namely the Cape Town International Convention Centre (CTICC).

### Cape Town International Convention Centre

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.

Despite the challenging economic backdrop the CTICC enjoyed an excellent year, exceeding most of the financial and non-financial targets set for it by the City. It achieved a net profit before tax of R11 million, and added R2,25 billion to national gross domestic product and R902 million to the Western Cape gross geographic product through its activities.

Details of the CTICC's delivery against its key performance indicators for the 2011/12 financial year are included in annexure B to this report.



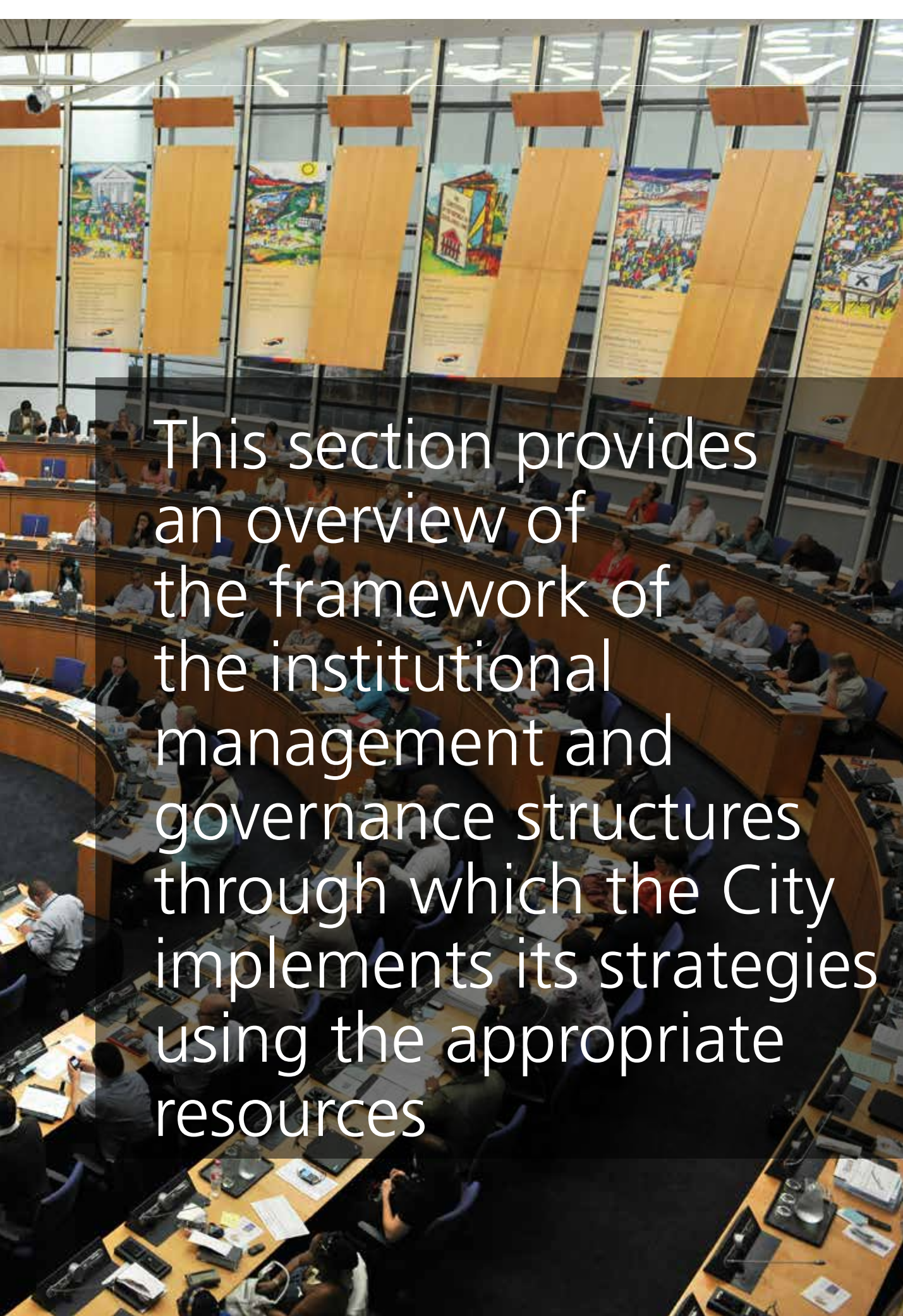
The Cape Town International Convention Centre is contributing to Cape Town's economic development.



## MANAGEMENT AND GOVERNANCE FRAMEWORKS







This section provides an overview of the framework of the institutional management and governance structures through which the City implements its strategies using the appropriate resources

# MANAGEMENT AND GOVERNANCE FRAMEWORKS

## THE GOVERNANCE STRUCTURE

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

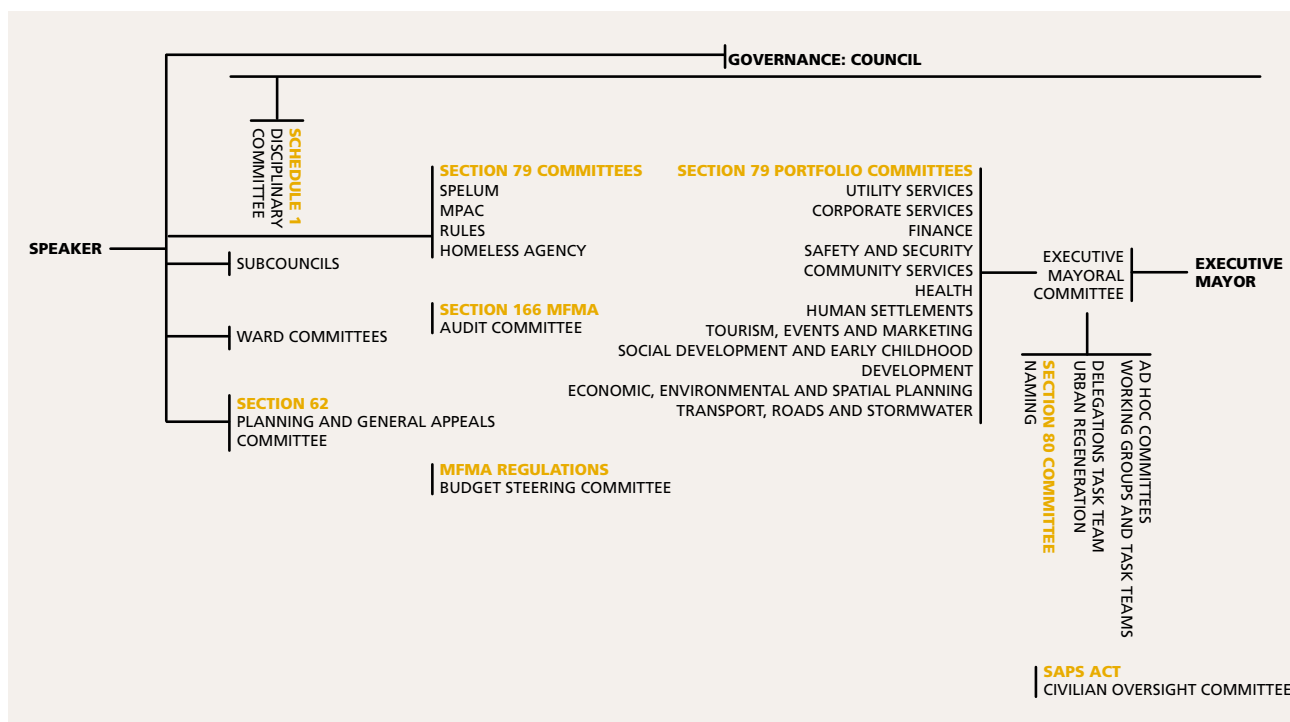


Figure 3.1: City of Cape Town's governance structure

## 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 its Executive Mayor, Executive Deputy Mayor and Speaker. Council also appointed its 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. These powers, functions and duties are performed and exercised by the Executive Mayor, Alderman Patricia de Lille, together with her Mayco members, who are as follows:

- Ald. I Neilson, Executive Deputy Mayor, and Finance
- Cllr S Sims, Utility Services
- Ald. VB Walker, Economic, Environmental and Spatial Planning

- Cllr G Pascoe, Tourism, Events and Marketing
- Ald. B Cortje-Alcock, Social Development and Early Childhood Development
- Cllr T Gqada, Community Services
- Cllr E Sonnenberg, Human Settlements
- Ald. JP Smith, Safety and Security
- Cllr B Herron, Transport, Roads and Stormwater
- Ald. D Qually, Corporate Services
- Cllr L Gazi-James, Health

## CLUSTERS AND COMMITTEES

### Section 79 portfolio committees

The terms of reference of all section 79 portfolio committees include the formulation of policy and the monitoring of its implementation 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 the following clusters:



## Economic growth, development and infrastructure cluster

- Transport, Roads and Stormwater
- Utility Services
- Economic, Environmental and Spatial Planning
- Tourism, Events and Marketing
- Finance
- Corporate Services
- Human Settlements

## Community cluster

- Human Settlements (cuts across both clusters)
- Health
- Social Development and Early Childhood Development
- Community Services
- Safety and Security

The portfolio committee chairpersons are as follows:

- Cllr R Moses, Tourism, Events and Marketing
- Cllr T Thompson, Transport, Roads and Stormwater
- Cllr D America, Corporate Services
- Cllr J Slabbert, Human Settlements
- Cllr C Brynard, Safety and Security
- Cllr S Mamkeli, Utility Services
- Cllr A van der Rheede, Community Services
- Cllr C Clayton, Health
- Cllr J van der Merwe, Finance
- Cllr G Bloor, Economic, Environmental and Spatial Planning
- Cllr R Arendse, Social Development and Early Childhood Development

## Other section 79 committees

### Spatial Planning, Environment and Land Use Management Committee – Chairperson Cllr C Kannenberg

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

### Municipal Public Accounts Committee (MPAC) – Chairperson Cllr S Mxolose

This committee performs an oversight function on behalf of Council over the executive functionaries of Council. It does this by holding the accounting officer and councillors accountable for their use of municipal resources, to ensure regular, economical, efficient and effective local

government spending and the promotion of good governance, transparency and accountability.

MPAC 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 MFMA, is prepared for adoption by Council. It also 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 – Chairperson Ald. D Smit (Speaker)

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

### Homeless Agency Committee – Chairperson Cllr T Uys

The Homeless Agency Committee is the political oversight body that ensures that issues dealing with homeless 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.

### Energy and Climate-change Committee – Chairperson Cllr X Limberg

The Energy and Climate-change Committee is tasked with the integration and delivery of all energy matters in the City.

## Section 80 committee

### Naming Committee – Chairperson Cllr B Herron

This committee considers and makes recommendations to Council on matters pertaining to the naming of streets, buildings, etc.

## Municipal Systems Act section 62

### Planning and General Appeals Committee – Chairperson Ald. D Smit (Speaker)

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 – Chairperson Ald. A Serritslev (Chief Whip)

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 the rules of order of Council.



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## MANAGEMENT AND GOVERNANCE FRAMEWORKS

### Municipal Finance Management Act section 166

#### Audit Committee

Every municipality is obliged to establish an independent audit committee in terms of section 166 of the MFMA, as amended.

The Audit Committee advises the municipal council, political office bearers, accounting officer and management staff on matters relating to:

- systems of internal control (including internal financial control) and audit reports;
- internal audit;
- risk management;
- information technology;
- forensic investigations;
- accounting policies;
- adequacy, reliability and accuracy of financial reporting and information;
- performance management;
- governance;
- compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation;
- performance evaluation; and
- any other issues referred to it by the municipality.

The committee is further required to review the annual financial statements (and the Auditor-General's audit report) in order to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with applicable legislation. Such review also enables the committee to respond to Council on any issues raised by the Auditor-General in the audit report.

The Audit Committee does not have executive responsibility and acts primarily in an oversight capacity. The Audit Committee does not perform any management functions or assume any management responsibilities. It provides a forum for discussing business risk and control issues, in order to develop relevant recommendations for consideration by the City Manager, Mayco and Council for their approval or final decision.

The membership, resources, responsibilities and authorities (composition, functions and operation) required by the Audit Committee to perform its role effectively are stipulated in the Audit Committee's terms of reference. The committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.

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

#### Civilian Oversight Committee

In terms of section 64J of the South African Police Service Act of 1995, 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 include 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. It 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

#### Subcouncils and chairpersons

- |                 |                  |
|-----------------|------------------|
| • Subcouncil 1  | Cllr H Brenner   |
| • Subcouncil 2  | Cllr G Twigg     |
| • Subcouncil 3  | Ald. J Vos       |
| • Subcouncil 4  | Ald. C Justus    |
| • Subcouncil 5  | Cllr R Rau       |
| • Subcouncil 6  | Cllr W Jaftha    |
| • Subcouncil 7  | Cllr G Fourie    |
| • Subcouncil 8  | Cllr S Pringle   |
| • Subcouncil 9  | Cllr J Thuynsma  |
| • Subcouncil 10 | Cllr P Mngxunyen |
| • Subcouncil 11 | Cllr S Little    |
| • Subcouncil 12 | Cllr E Andrews   |
| • Subcouncil 13 | Cllr R Bazier    |
| • Subcouncil 14 | Cllr N Landingwe |
| • Subcouncil 15 | Ald. B Watkyns   |

- Subcouncil 16 Cllr T Amira
- Subcouncil 17 Cllr G March
- Subcouncil 18 Cllr M Oliver
- Subcouncil 19 Ald. F Purchase
- Subcouncil 20 Cllr I Iversen
- Subcouncil 21 Cllr S Vuba
- Subcouncil 22 Cllr J Heuvel
- Subcouncil 23 Cllr N Bent
- Subcouncil 24 Cllr X Sotashe

### Executive Management Team (EMT)

The EMT leads the City's drive to achieve its strategic objectives, as outlined in the Integrated Development Plan each year.

### Macro-organisational design: City Manager and executive directors

On 28 September 2011 Council aligned the City of Cape Town's senior administrative structure with the newly elected political structure, which is set out below:



Figure 3.2: City of Cape Town's Executive Management Team structure

### Executive Management Team


Achmat Ebrahim	City Manager
Mike Marsden	Deputy City Manager
Fatima Habib	Executive Director (ED): Corporate Services
Seth Maqethuka	ED: Human Settlements
Richard Bosman	ED: Safety and Security
Dr Ivan Bromfield	ED: Health
Kevin Jacoby	Chief Financial Officer
Lungile Dhlamini	ED: Utility Services
Lokiwe Mtwazi	ED: Community Services
Melissa Whitehead	ED: Transport, Roads and Stormwater
Anton Groenewald	ED: Tourism, Events and Marketing
Nobandile Biko	ED: Social Development and Early Childhood Development
Jacob Hugo	ED: Economic, Environmental and Spatial Planning



## LOOKING FORWARD







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. Full details of this budget are available in the 2012/13 budget book, which can be downloaded from the City of Cape Town website at [www.capetown.gov.za](http://www.capetown.gov.za)



## LOOKING FORWARD

### BUDGET OVERVIEW

The total budget quantum for the 2012/13 year is R30,289 billion, of which R24,362 billion (80,4%) has been allocated to the operating budget and R5,927 billion (19,6%) to the capital budget.

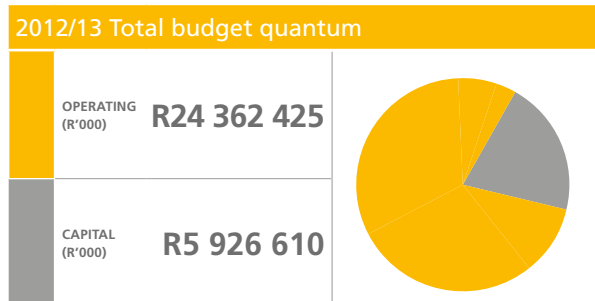


Figure 4.1: Total budget quantum for 2012/13 financial year

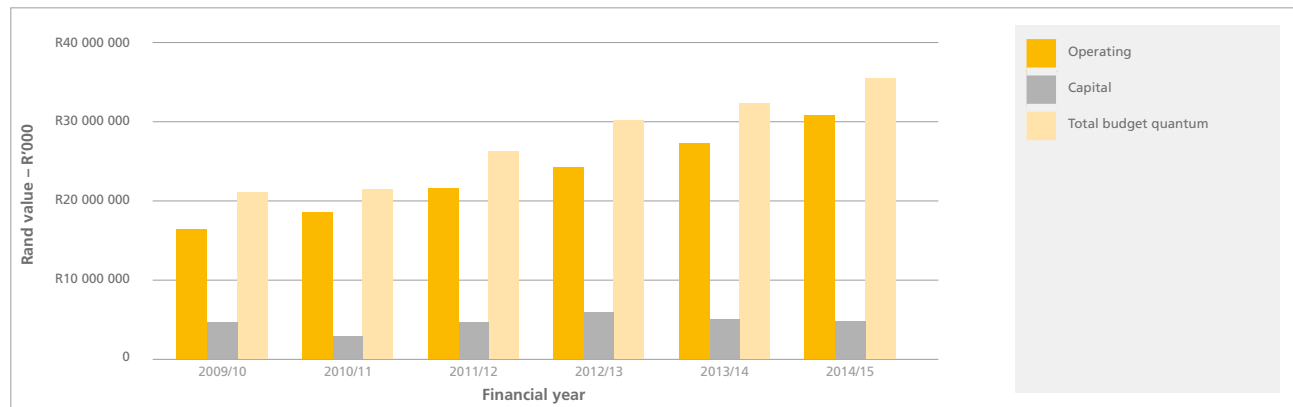


Figure 4.2: Total budget quantum per financial year 2009/10 to 2014/15

### OPERATING BUDGET

#### Expenditure

Total operating expenditure increased from R22,142 billion in 2011/12 to R24,362 billion in 2012/13. This 10,03% rise is primarily the result of increases in several of the City's expenditure components, examples of which are noted in the table below:

Category	Budget 2011/12 R'000	Budget 2012/13 R'000	Year on year %
Employee-related costs	7 091 648	7 777 521	9,67
Remuneration of councillors	108 786	122 384	12,50
Debt impairment	1 039 970	991 026	(4,71)
Depreciation/asset impairment	1 392 823	1 444 096	3,68
Finance charges	766 367	768 508	0,28
Bulk purchases	5 785 576	6 441 273	11,33
Contracted services	2 320 168	2 579 846	11,19
Transfer and grants	96 419	50 606	(47,51)
Other expenditure	3 540 118	4 187 164	18,28
<b>Total expenditure</b>	<b>22 141 875</b>	<b>24 362 424</b>	<b>10,03</b>

Table 4.1: Year-on-year growth in expenditure components

## Revenue

Operating revenue has been increased from R21,981 billion in 2011/12 to R23,902 billion in 2012/13 – a growth of 8,74%. Key drivers of this increase include:

- an increase in the national equitable share from R970 million in 2011/12 to R1,084 billion in 2012/13;
- higher public transport infrastructure and systems grant allocations – up from R340 million in 2011/12 to R506 million in 2012/13;
- projected organic growth and tariff increases on property rates and service charges (water, electricity and refuse); and
- the reduction in 'service charges – other', which is due to the revised allocation of bus fare revenue amounting to R69 million, and the realignment of availability charges (R388 million) with specific tariff services.

Category	Budget 2011/12 R'000	Budget 2012/13 R'000	Year on year %
Property rates tax	4 581 985	5 030 753	9,79
Property rates – penalties and collection charges	85 759	93 546	9,08
Service charges – electricity	8 158 108	8 971 405	9,97
Service charges – water	1 828 095	2 106 357	15,22
Service charges – sanitation	991 118	1 127 122	13,72
Service charges – refuse	820 410	896 924	9,33
Service charges – other	592 926	237 231	(59,99)
Rental of facilities and equipment	264 043	278 754	5,57
Interest earned – external investments	192 426	244 439	27,03
Interest earned – outstanding debtors	218 335	236 797	8,46
Fines	186 892	160 917	(13,90)
Licences and permits	30 046	33 121	10,23
Agency services	115 993	115 993	0,00
Transfers recognised – operational	1 897 816	2 325 525	22,54
Other revenue	1 912 282	1 973 772	3,22
Gains on disposal of PPE	105 000	69 000	(34,29)
<b>Total expenditure</b>	<b>21 981 234</b>	<b>23 901 656</b>	<b>8,74</b>

Table 4.2: Year-on-year growth in revenue categories

## OPERATING REVENUE FRAMEWORK

The City's revenue quantum is determined by setting a package of tariffs that are not only affordable to its ratepayers and the users of its services, but also deemed to be at fair and realistic levels when viewed in the context of the City's programmes to assist those who do not have the means to pay. The City's revenue strategy is built around the following key components:

- Projected city growth and continued economic development
- Realistic revenue management, which enables achievement of the collection rate target
- Electricity tariff increases as approved by the National Energy Regulator of South Africa (NERSA)
- Setting of user charges for trading services at levels that reflect their services' cost-recovering nature
- The municipality's Property Rates Policy, approved in terms of the Municipal Property Rates Act (Act 6 of 2004)
- The municipality's policies to assist the poor, and render free basic services
- Sundry tariff policies

## LOOKING FORWARD

### 2012/13 Medium-Term Revenue and Expenditure Framework

Description	Audited outcome 2011/12 R'000	%	Budget 2012/13 R'000	%	Budget 2013/14 R'000	%	Budget 2014/15 R'000	%
Property rates	4 622 441	21,5	5 030 753	21,0	5 365 600	19,9	5 745 315	18,7
Property rates – penalties and collection charges	89 657	0,4	93 564	0,4	99 773	0,4	106 414	0,3
Service charges – electricity revenue	8 061 684	37,5	8 971 405	37,5	11 077 891	41,1	13 551 584	44,1
Service charges – water revenue	1 817 183	8,5	2 106 357	8,8	2 360 971	8,8	2 656 856	8,6
Service charges – sanitation revenue	1 002 897	4,7	1 127 122	4,7	1 284 849	4,8	1 445 455	4,7
Service charges – refuse revenue	813 287	3,8	896 924	3,8	969 142	3,6	1 049 253	3,4
Service charges – other	291 714	1,4	237 231	1,0	247 283	0,9	321 416	1,0
Rental of facilities and equipment	287 579	1,3	278 754	1,2	291 734	1,1	304 786	1,0
Interest earned – external investments	333 336	1,6	244 439	1,0	284 889	1,1	339 392	1,1
Interest earned – outstanding debtors	228 425	1,1	236 797	1,0	250 058	0,9	264 061	0,9
Fines	144 394	0,7	160 917	0,7	169 2929	0,6	179 445	0,6
Licences and permits	41 471	0,2	33 121	0,1	34 976	0,1	36 934	0,1
Agency services	123 651	0,6	115 993	0,5	122 489	0,5	129 348	0,4
Transfers recognised – operational	1 639 075	7,6	2 325 525	9,7	2 228 425	8,3	2 287 976	7,4
Other revenue	1 961 587	9,1	1 973 772	8,3	2 102 194	7,8	2 222 418	7,2
Gains on disposal of PPE	44 144	0,2	69 000	0,3	72 864	0,3	76 944	0,3
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>21 502 525</b>	<b>100,0</b>	<b>23 901 656</b>	<b>100,0</b>	<b>26 963 067</b>	<b>100,0</b>	<b>30 717 597</b>	<b>100,0</b>
<b>Total revenue from rates and service charges</b>	<b>16 698 863</b>	<b>77,7</b>	<b>18 463 338</b>	<b>77,2</b>	<b>21 405 509</b>	<b>79,4</b>	<b>24 876 293</b>	<b>81,0</b>

Table 4.3: Summary of revenue by source as percentage of total budget

### OPERATING EXPENDITURE FRAMEWORK

The City's expenditure on the 2012/13 budget and Medium-Term Revenue and Expenditure Framework (MTREF) is informed by:

- modelling of feasible and sustainable budgets over the medium term;
- cognisance of international, national and local economic and fiscal conditions;
- expenditure limits set by realistic and realisable revenue levels;
- the City's asset renewal strategy and its medium- to long-term asset repairs and maintenance goals;
- relevant (budget and other) legislative imperatives; and
- operational gains and efficiencies directed to fund areas of strategic priority and known commitments.

The following table is a high-level summary of the 2012/13 operating budget expenditure:

Description	Audited outcome 2009/10 R'000	Audited outcome 2010/11 R'000	Audited outcome 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000	Budget 2014/15 R'000
Employee-related cost	5 587 167	6 123 768	6 916 012	7 777 521	8 524 592	9 381 891
Remuneration of councillors	84 451	88 621	97 772	122 384	130 217	138 811
Debt impairment	635 851	773 226	818 450	991 026	1 025 741	1 095 097
Depreciation and asset impairment	1 043 389	1 271 965	1 399 490	1 444 096	1 544 882	1 652 706
Finance charges	599 797	717 476	681 533	768 508	936 958	1 119 503
Bulk purchases	3 668 797	4 620 105	5 705 263	6 441 273	8 120 257	10 167 597
Other materials	68 014	279 273	273 402	396 540	427 849	461 031
Contracted services	800 498	2 007 766	2 192 994	2 579 846	2 865 325	3 077 300
Transfers and grants	94 193	93 382	103 492	50 606	101 085	106 746
Other expenditure	3 849 699	2 669 396	2 989 380	3 790 623	3 746 882	3 738 978
Loss on disposal of property, plant and equipment	3 076	3 529	1 724	–	–	–

Table 4.4: Summary of operating expenditure by standard classification

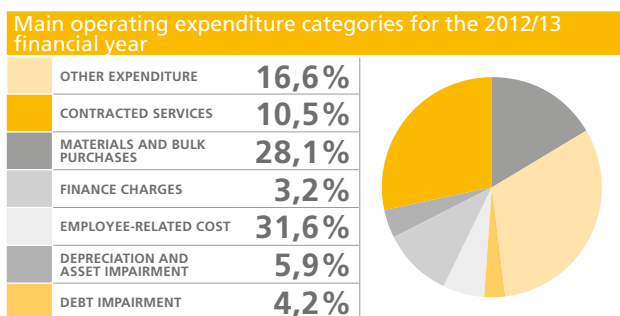


Figure 4.3: Main operating expenditure categories for the 2012/13 financial year

## CAPITAL BUDGET

The City of Cape Town's capital budget increased by 29,9% from R5,090 billion in 2011/12 to R5,927 billion in 2012/13.

Description	Budget 2011/12 R'000	Budget 2012/13 R'000	Increase/ (Decrease) R'000
Capital grants and donations	2 715 359	3 334 829	619 470
Capital replacement reserve	970 872	808 169	(162 703)
External financing fund	1 357 386	1 765 377	407 991
Revenue	46 250	18 236	(28 014)
<b>Total</b>	<b>5 089 867</b>	<b>5 926 611</b>	<b>836 744</b>

Table 4.5: Year-on-year increase in capital funding sources



## LOOKING FORWARD

### Capital expenditure in 2012/13

Major capital expenditure is planned in the following areas during the 2012/13 financial year:

Utility Services	R2,19 billion
Transport, Roads and Stormwater	R1,79 billion
Human Settlements	R732 million

The most significant capital projects during 2012/13 include:

Electricity	Amount
Electrification	R637,5 million
New building complex for Cape Town Electricity	R156 million
Replacement of electricity system equipment	R350 million
Additional electricity system equipment	R333 million
Cape Town Electricity training school, Brackenfell	R107 million
Refurbishment of medium-voltage switchgear	R253 million
Street lighting (citywide)	R129 million
Water Services	
Bellville Wastewater Treatment Works	R97 million
Replacement and upgrade of water network (citywide)	R231 million
Northern-area sewer, Thornton	R130 million
Replacement and upgrade of sewer network (citywide)	R172,5 million
Solid Waste Management	
Development of landfill infrastructure	R133 million
Replacement: Plant and vehicles (Solid Waste Management)	R280 million
Transport, Roads and Stormwater	
IRT-related infrastructure	R1,5 billion
Non-motorised transport (citywide)	R221 million
Reconstruction of metro roads	R150 million
Human Settlements	
Upgrade of rental units and hostels	R610 million
Human settlements land acquisition for future housing	R134 million
Construction of outer-cavity walls for some housing flats	R66 million
Pelican Park phase 1 housing project	R25 million
Scottsdene (community residential unit) housing project	R42 million
Hangberg (community residential unit) housing project	R32 million
Urban Renewal Programme (URP) upgrade of Lookout Hill facility	R3,5 million

Table 4.6: Most significant capital projects in 2012/13

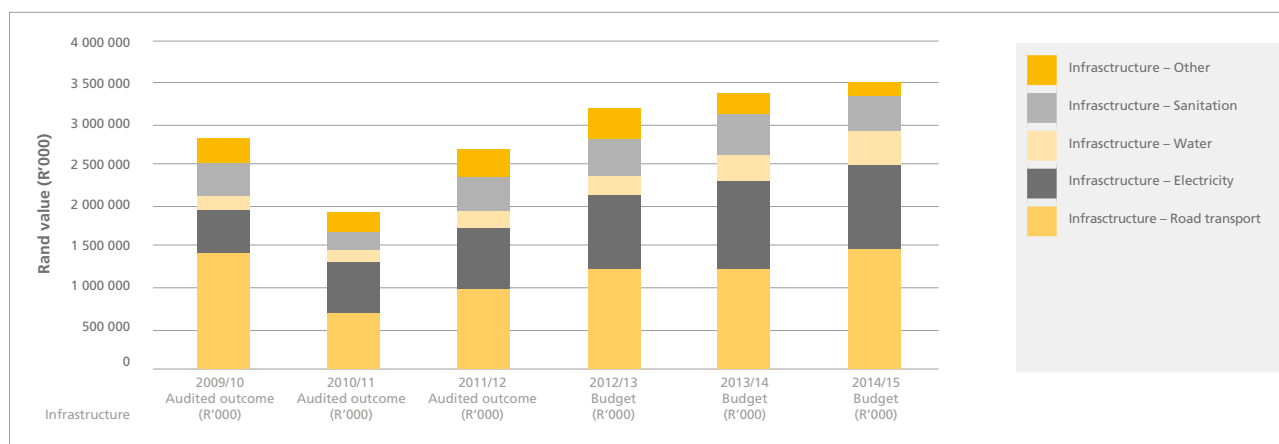


Figure 4.4: Capital budget spend on City's infrastructure

Description	Budget 2012/13 R'000	%	Budget 2013/14 R'000	%	Budget 2014/15 R'000	%
Community Services	206 235	3,27	201 964	4,04	190 584	4,05
Corporate Services	254 150	4,03	222 045	4,44	206 061	4,38
Economic, Environmental and Spatial Planning	52 522	0,83	43 927	0,88	49 927	1,06
Finance	48 975	0,78	6 061	0,12	5 358	0,11
City Health	28 568	0,45	23 966	0,48	14 166	0,30
Human Settlements	656 337	10,41	674 480	13,49	461 427	9,80
City Manager	224	0,004	222	0,004	222	0,005
Deputy City Manager	29 419	0,47	47 978	0,96	37 317	0,79
Safety and Security	57 179	0,91	15 127	0,30	15 127	0,32
Social Development and Early Childhood Development	14 277	0,23	10 960	0,22	11 010	0,23
Transport, Roads and Stormwater	2 593 751	41,15	1 407 754	28,15	1 490 831	31,65
Utility Services	2 268 705	35,99	2 345 729	46,91	2 227 492	47,30
Tourism, Events and Marketing	92 588	1,47	300	0,01	250	0,01
<b>Total capital expenditure</b>	<b>6 302 930</b>	<b>100,00</b>	<b>5 000 513</b>	<b>100,00</b>	<b>4 709 772</b>	<b>100,00</b>

Table 4.7: 2012/13 medium-term capital budget per directorate







The City continues to maintain its high investment ratings (P-1.za and Aa2.za), which are the highest that can be obtained by any South African municipality



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## REPORTING ENTITY'S MANDATE

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), Municipal Structures Act (Act 117 of 1998), Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2012, as set out on pages 112 to 187 in terms of section 126(1) of the Municipal Finance Management Act, and have accordingly signed the statements on behalf of the City.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 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 the act.



**Achmat Ebrahim**

City Manager

28 September 2012

# REPORT OF THE AUDITOR-GENERAL

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### Introduction

1. I have audited the consolidated and separate financial statements of the City of Cape Town and its subsidiaries set out on pages 112 to 175, which comprise the consolidated and separate statement of financial position as at 30 June 2012, the consolidated and separate statements of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### 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 the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General notice* issued in terms thereof and International Standards on Auditing. 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.
4. An audit involves performing procedures to obtain audit evidence about 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. 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 2012 and their financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

### Emphasis of matters

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

### Significant uncertainties

8. With reference to note 49.2 to the consolidated financial statements, the municipality is party to contractual claims by its suppliers and staff that are subject to mediation. The maximum potential liability is estimated at R285,52 million. The ultimate outcome of these claims could not be determined at year-end.

### Restatement of corresponding figures

9. As disclosed in note 44.1 to the consolidated financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the separate financial statements of the municipality at, and for the year ended, 30 June 2011.

### Material impairments

10. As disclosed in note 9 to the consolidated financial statements, receivables of the municipality have significantly been impaired. The impairment of receivables amounts to R4,18 billion (51%) of which R2,64 billion (32%) relates to service debtors.

### Material losses

11. As disclosed in note 43.3 to the consolidated financial statements, the municipality suffered a significant electricity loss of R225,05 million (10,75%). This is as a result of non-technical losses such as theft and vandalism.

### Additional matters

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

### Unaudited supplementary schedules

13. The supplementary information set out on pages 177 to 187 does not form part of the separate and consolidated 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

14. In accordance with the PAA and the *General notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the

annual performance report, as set out on pages 190 to 201 of the annual report.

16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
17. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

#### **Cape Town International Convention Centre**

18. The material findings are as follows:

#### **Reliability of information**

##### **Accuracy**

19. The FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 50% (two out of four) of the selected objectives. This was due to the Entity's records not permitting the application of alternative audit procedures.

#### **City of Cape Town**

20. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

#### **Additional matter**

21. Although no material findings concerning the usefulness and reliability of the performance information of the municipality were raised in the annual performance report, I draw attention to the following matter.

#### **Achievement of planned targets**

22. Of the total number of planned targets, only 29 were achieved during the year under review. This represents 31% of total planned targets that were not achieved during the year under review. The latter includes six out of 16 (38%) targets that are qualitatively material, in relation to the municipality's key service delivery objectives. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

#### **Compliance with laws and regulations**

23. I performed procedures to obtain evidence that the Entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General notice* issued in terms of the PAA, are as follows:

#### **Annual financial statements, performance and annual report**

24. The separate financial statements for the municipality submitted for auditing on 31 August 2012 were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted separate financial statements were subsequently corrected, resulting in the separate financial statements receiving an unqualified audit opinion.

#### **Expenditure management**

25. The accounting officer of the municipality did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

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

26. The municipality made awards to providers whose directors/principal shareholders are persons in the service of the municipality, in contravention of MFMA supply chain management (SCM) regulation 44. Furthermore, the provider failed to declare that he/she was in the service of the municipality, as required by SCM regulation 13(c).

#### **Human resource management**

27. Persons in the service of the municipality, who had a private or business interest in contracts awarded by the municipality, failed to disclose such interest, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
28. Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.

#### **Internal control**

29. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

#### **Leadership**

30. Although the municipality has taken steps to address the issues identified in the prior year's audit report and there has been some improvement, the commitments made by management to address the audit findings of the prior year, which were included in the 2010/11 annual report, were not specific and detailed enough, leading to action plans that were not clear and specific. The commitments indicated that measures to ensure full compliance with regulations were implemented by May 2011. However, this was not achieved as the supplier declaration forms for all goods were only fully implemented in December 2011 and the revised employee declaration forms were only rolled out to higher levels of staff in April 2012. The action plan arising from these commitments was only revised during the second half of the financial year and, as a



# REPORT OF THE AUDITOR-GENERAL

result, the findings relating to the SCM and human resource management have recurred, as effective actions were not implemented timeously.

## Financial and performance management

31. The SCM unit of the municipality processes a large volume of transactions, yet some of the key processes are manual processes and, therefore, lends itself to some degree of human/administrative error. The review processes implemented to mitigate this risk and to prevent and detect errors before they result in irregular expenditure or material non-compliance were not effective, resulting in the findings reported under compliance with laws and regulations above.
32. The planning of the compilation of the separate financial statements for the municipality was not adequate and did not include appropriate processes to ensure that new systems/processes and changes to the separate financial statements are implemented timeously and are properly reviewed before submission for audit.
33. Management of the municipal entity did not implement adequate controls to ensure that information relating to events is recorded timeously and consistently and that the information is supported by objective evidence.

## OTHER REPORTS

### Investigations

#### Investigations in progress

34. The Municipal Public Accounts Committee (MPAC) had requested a number of investigations, which had not been finalised at the date of this report. These include:
  - an investigation into irregular expenditure resulting from contraventions of the municipal SCM regulations, as reported in the 2009/10 consolidated financial statements;
  - items disclosed as irregular expenditure in note 42 to the 2010/11 consolidated financial statements; and
  - awards to family of employees in the service of the state, as disclosed in note 43.1.2 to the 2010/11 consolidated financial statements.
35. The Public Protector was investigating the land purchase agreement between the municipality and Naspers. Subsequent to year-end, the investigation has been finalised and the Public Protector found that the purchase of the Naspers site was above board, and was generally of benefit to the public. No evidence could be found to indicate collusion between the City of Cape Town and Naspers with the aim of short-changing taxpayers and no evidence could be found of individuals improperly benefiting from this transaction. The municipality indicated that the procedural shortcomings identified by the Public Protector would be examined in detail and responded to once the actions required have been determined.

#### Investigations completed during the financial year

36. A number of investigations initiated by MPAC were finalised during the year under review. These include the following:
  - Late payment of interest to the South African Revenue Service (SARS) resulting in fruitless and wasteful expenditure disclosed in the 2009/10 consolidated financial statements. The Council certified the amount of R7 688 to be irrecoverable.
  - An investigation was conducted into non-compliance with the conditions of the memorandum of agreement relating to certain

grants and subsidies. The Council resolved that the amount of R140 000 reported as fruitless and wasteful expenditure in the 2009/10 consolidated financial statements would not be classified as fruitless and wasteful expenditure as the grant beneficiaries had submitted the required documentation in November 2010.

- MPAC investigated expenditure relating to FIFA World Cup costs, reported as fruitless and wasteful expenditure in the 2009/10 notes to the consolidated financial statements. The Council certified an amount of R19 620 to be irrecoverable.
  - Amounts from the 2008 Sicoca Ikapa special project deemed to be irrecoverable were under investigation. The amount of R119 399 relating to the Sicoca Ikapa special project was condoned by the Council. It was decided that no further amounts for the Sicoca Ikapa special project would be considered for condonement or write-off by MPAC in future as the Directorate: Finance had confirmed in writing that a reconciliation had been performed and that the amount submitted for write-off was the final amount in respect of the Sicoca Ikapa special project.
37. During the year a number of investigations were conducted in relation to the contravention of SCM policies and procedures. The investigations were initiated based on allegations made by management, as well as through the fraud hotline. The nature of the 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 consolidated and separate financial statements.

### Agreed-upon procedures engagements

38. The municipality had accepted an agreed-upon procedures engagement to be performed on the Housing Accreditation: Systems/Controls. The audit report was issued on 21 May 2012.

*Auditor-General*

Cape Town  
31 December 2012



# MANAGEMENT'S COMMENTS AND CORRECTIVE ACTION TO BE INSTITUTED ON MATTERS RAISED IN THE REPORT OF THE AUDITOR-GENERAL FOR THE YEAR ENDED 30 JUNE 2012

## MANAGEMENT'S 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 2012 IN TERMS OF SECTION 121(4)(E) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 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 the readers' interest only.*

### Accuracy – Cape Town International Convention Centre

**Paragraph 20** – The information provided to the auditors in support of two performance indicators was based on research conducted by an external research organisation, and the auditors could not independently verify the information which underpins the conclusions. The only way the issue can be resolved is by the withdrawal of the two indicators for the current and future years, for which a report will be submitted to seek such authority.

### Achievement of planned targets

**Paragraph 23** – The setting of and the achieving of performance targets for a diverse organisation like the City of Cape Town is an ongoing challenge. The City endeavours to systematically and sustainably improve the current performance management system which includes the setting of, and the achievement of, such targets. To this end various measures have been put in place to build performance management capacity throughout the organisation to prevent the setting of unrealistic targets and consequent underachievement.

### Expenditure management

**Paragraph 26** – The City took extensive steps to prevent the incurring of irregular expenditure, as required by section 62(1)(d) of the MFMA, to ensure compliance without violating the rights of the public to do business with the City and thus exposing the City to consequential legal challenges.

Governance is paramount to the City and the issues are being dealt with at the highest levels of managerial and political governance. In this regard, the City has obtained Senior Counsel, at significant cost, to obtain clarity on the related legislation. National Treasury has also been consulted, the outcome of which is still awaited. Only once clarity has been achieved on the intentions of the legislation, can preventative steps be finalised.

### Procurement and contract management

**Paragraph 27** – The three incidents reported were as a result of two staff members being in default of the code of conduct, and which will be dealt with through the City's

disciplinary procedures; and the third, being an incident of a staff member's declaration of having a conflict of interest not being detected by the system of internal control. In addition, the related vendor failed to disclose the staff member's associated interest and will be dealt with in terms of the Supply Chain Management abuse policy.

The City is putting procedures in place to strengthen the control over the administration of declarations of interest as above.

### Human resource management

**Paragraph 28** – As in paragraph 27 above.

**Paragraph 29** – The City cannot assume that the related staff member necessarily knows about the associated award to the close family member. Total reliance is placed by the City on the vendor's declaration to disclose such association. In such cases where vendors did not make such disclosure, the City's controls will ensure that no business is conducted with such vendor until the related staff member has also made the appropriate declaration.

### Leadership

**Paragraph 31** – The City has put processes in place to address the issues as identified and has taken all reasonable measures to control and prevent violations of policy. Policy and procedures have been reviewed, Senior Counsel opinions have been obtained, but the City is unable to finalise its processes due to the lack of legislative clarity being provided by National Treasury, and consensus achieved on the divergent views which have been expressed.

Once such clarity has been achieved, the City's policy and practices will be aligned accordingly.

### Financial and performance management

**Paragraph 32** – The City is constantly reviewing its manual procedures for possible automation, but is limited by the competing allocations of limited resources. Until such time as it becomes possible for the City to automate the procedures, all possible steps are being taken where practical to prevent and detect violations.

**Paragraph 33** – The City has sophisticated and highly developed procedures in place to manage both the planning and compilation of financial statements. The deviations identified were not due to a lack of proper review, but rather due to management interpretative assumptions and also to alternative interpretations of the accounting standards.

**Paragraph 34** – The municipal entity has controls in place which suffice to ensure timeous and consistent recording of events. In view of the Auditor-General's comments, the two key performance indicators will no longer be used as a measurement to obviate the reported weaknesses.

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# REPORT OF THE AUDIT COMMITTEE

## FOR THE YEAR ENDED 30 JUNE 2012

### 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 No. 56 of 2003. The Committee has adopted formal terms of reference, which are regularly updated and approved by Council.

The Committee presents its report for the financial year ended 30 June 2012.

### 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, Internal Audit, Senior Management, and Mayoral Committee (Mayco). The Auditor-General is invited and are in attendance at all Audit Committee meetings.

Name of member	Meetings attended
Mr Z Manjra (Reappointed April 2012)	8
Ms K Moloko	8
Mr M Burton (Term completed 30 March 2012)	6
Mr M Kajee	7
Ms M Roos	7

### AUDIT COMMITTEE RESPONSIBILITY

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

### REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee has:

- reviewed and discussed the annual financial statements of the City to be included in the annual report, with the Auditor-General and management;
- reviewed the Auditor-General's management letters and management's responses thereto;
- reviewed and discussed the report and audit opinion of the Auditor-General with the Auditor-General and management;
- reviewed changes in accounting policies and practices;
- reviewed the department's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Committee is pleased that the Auditor-General issued an unqualified audit opinion on the Consolidated Financial Statements of the City for the year ended 30 June 2012. 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, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA).

The Committee draws attention to the 'emphasis of matters', predetermined objectives, 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 Internal Audit Annual Report on Internal Controls for the year ended 30 June 2012.

An internal 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 inadequate record management, 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 indicated a lack of management and supervisory reviews to ensure:

- compliance with legislation, regulations, policies and procedures;
- the design and implementation of adequate controls; and
- that implemented controls operate effectively.

Significant management intervention is required to effect improvement in these areas. Focus and prioritisation should be given to identified control areas that puts at risk the City achieving its key objectives.

While a similar internal audit opinion was expressed for the 2010/11 financial year, it should be noted that the trend in respect of the overall audit ratings as per the audit reports issued in the latter part of the financial year indicates a shift from the Major Improvement Needed category to the Some Improvement Needed category.

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

### Information Systems

In respect of the Committee's responsibilities regarding Information Systems and Technology within the

organisation, the Committee noted that an ICT subcommittee and ICT governance framework exist, with defined roles and responsibilities of the different governance structure elements. Areas identified for improvement include the need for the ICT subcommittee to prioritise risks and establish a formal IT risk reporting system; to define what IT policies should exist and to identify the delegated authority to approve IT policies, frameworks and procedures.

The audits also indicated a concern with regards to information system backup processes.

### Resolving Internal Control Findings

The Committee noted an improvement in the percentage of audit findings resolved in comparison to the prior financial year. However, further improvements are required to achieve the target.

### Combined Assurance Framework

Regular engagements occurred between assurance providers to give effect to the Combined Assurance Framework. These engagements continue to be developed and enhanced to make combined assurance in the City more effective. The Committee regularly reviews developments in this area.

### PERFORMANCE MEASUREMENT

The Committee had submitted biannual reports to Council reporting on the Committee's assessment of the City's Performance Management System for 2011/12. The Committee had reviewed and given consideration to the quarterly reports and quarterly performance results reported by management.

Significant improvements were noted in the effectiveness of the processes and the quality and evidence of information reported. The Committee commends the work that has been done to enable the Auditor-General to report no material findings concerning the usefulness and reliability of the information.

The Committee's review of the City's Performance Management System focused on the need for the City to improve the effectiveness of processes relating to the setting of targets in line with criteria that would enable the measurability of corporate performance indicators. The Committee recommends that management continue to address other deficiencies in the performance management

process as highlighted by Internal Audit and the Auditor-General.

### RISK MANAGEMENT

Risk management has been formalised within the City, with the establishment of various structures, processes and systems to give effect to Risk Management.

Further initiatives are required to further embed Risk Management in the City's processes. This includes further clarifying roles and responsibilities, improving training, developing performance measurements, monitoring compliance with the integrated risk management policy and framework, and consistent application of approach.

### GOVERNANCE

The City has adopted the corporate governance principles of the King Code and King III report. Further efforts are necessary to achieve full alignment with this Code particularly with regard to communication and monitoring of ethics.

We believe that the City is fully committed to good governance and will do whatever is necessary to achieve it.

### 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.



**ZI Manjra**

Chairperson of the Audit Committee  
21 December 2012



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## GENERAL INFORMATION

### SPEAKER

Alderman JD Smit

### CHIEF WHIP

Alderman AM Serritslev

### Members of the Mayoral Committee

- |                               |                                                      |
|-------------------------------|------------------------------------------------------|
| • Alderman ID Neilson         | – Finance                                            |
| • Alderman JP Smith           | – Safety and Security                                |
| • Alderman DL Qally           | – Corporate Services                                 |
| • Alderman VB Walker          | – Economic, Environmental and Spatial Planning       |
| • Councillor BA Cortje-Alcock | – Social Development and Early Childhood Development |
| • Councillor LV James         | – Health                                             |
| • Councillor T Gqada          | – Community Services                                 |
| • Councillor BN Herron        | – Transport, Roads and Stormwater                    |
| • Councillor GI Pascoe        | – Tourism, Events and Marketing                      |
| • Councillor S Sims           | – Utility Services                                   |
| • Councillor EJ Sonnenberg    | – Human Settlements                                  |

### Members of the Audit Committee

- |            |                                     |
|------------|-------------------------------------|
| • Z Manjra | Chairperson                         |
| • MY Kajee | Member                              |
| • K Moloko | Member                              |
| • M Roos   | Member                              |
| • M Burton | Member (term expired 31 March 2012) |

### 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

Kevin Jacoby

## COUNCIL MEMBERS OF THE CITY OF CAPE TOWN

### Councillor/Alderman

Abrahams, A	Green, AM	Mamkeli, S	Purchase, F
Abrahams, AN	Griesel, AJ	Mangali, T	Qoba, ZL
Abrahams, FL	Gwangxu, X	March, GW	Qually, DL
Abrahams, MM	Gympies, SC	Marman, PI	Rass, B
Adams, A	Hadebe, B	Matanzima, V	Rau, R
Adams, Y	Hansen, B	Matha, MS	Raymond, FHL
America, D	Hassiem, W	Maxheke, JJ	Rossouw, SJ
Amira, D	Haywood, M	Maxiti, P	Sakathi, T
Andrews, EP	Hebe, LA	Mbandezi, S	Schäfer, BA
Andrews, JA	Hendricks, MGE	Mbonde, ME	Scheepers, CJ
Anstey, E	Herron, BN	McCarthy, J	Serritslev, AM
Arendse, MT	Heuvel, JA	Mfusi, VN	Sikhakhane, N
Arendse, R	Heynes, PC	Mhlanga, C	Siljeur, GR
Arendse, SWP	Hinana, EN	Middleton, JH	Simons, RS
August, SN	Honono, TT	Mkutswana, MA	Sims, S
Badela, DE	Hoosain, J	Mngxunyeni, PM	Sitonga, MC
Bazier, R	Ipser, CW	Mofoko, NM	Slabbert, JD
Beneke, R	Isaacs, LI	Morkel, KH	Smit, JD
Bent, NL	Isaacs, VR	Moses, AC	Smith, J
Bew, CB	Iversen, I	Moses, RM	Sonnenberg, EJ
Bloor, GM	Jackson, IR	Moshani, NA	Sono, NP
Brady, WE	Jacobs, BM	Mphila, D	Sopaqa, MM
Bredenhand, JC	Jacobs, J	Msindwana, ME	Sotashe, X
Brenner, HI	Jaffer, L	Mxolose, WS	Taylor, MJ
Britz, MT	Jaftha, WD	Mzalisi, MN	Thomas, CR
Brunette, EN	James, LV	Ndamase, T	Thomas, GHJ
Bryant, DW	Janse van Rensburg, C	Ndongeni, AX	Thompson, TB
Brynard, CA	Jansen van Vuuren, MI	Ndzulwana, N	Thuynsma, J
Burger, JHH	Jefferies, IK	Neilson, ID	Timm, G
Cavanagh, GV	Jordaan, C	Nenzani, SM	Toko, MS
Chapple, PH	Jordaan, LD	Ngqame, YA	Twigg, GG
Christians, DJ	Justus, CR	Ngqose, NS	Uys, TA
Christians, FC	Kannenbergh, ACK	Ngqu, P	Van Dalen, B
Claasen, CPV	Kearns, F	Nguzo, M	Van der Merwe, B
Clayton, CC	Kempthorne, ML	Nieuwoudt, MJ	Van der Merwe, CG
Cortje-Alcock, BA	Khatshwa, DM	Nikelo, M	Van der Merwe, JFH
Cottee, DG	Kleinsmith, ME	Nkohla, L	Van der Rheede, A
Crous, AC	Komeni, AL	Nkunzana, FM	Van der Walt, ML
D'Alton, DJ	Kopman, NF	Nonkeyizana, S	Van Minnen, BM
Davids, MM	Krynauw, J	Notana, E	Van Wyk, CHS
De Lille, P	Landingwe, NJ	Nqavashe, ML	Velem, M
Diamond, SP	Lategan, KH	Nqulwana, M	Venter, JD
Dudley, DK	Le Roux, B	Ntotoviyane, C	Viljoen, R
Dyanty, VD	Leputhing, CN	Nyakatya, NC	Visser, J
East, PA	Liell-Cock, SP	O'Connell, RA	Vos, J
Ehrenreich, AJ	Lili, A	Oliver, MJ	Vuba, ST
Else, D	Limberg, XT	Pakela-Mapasa, XB	Walker, VB
Esau, CJ	Little, SA	Pascoe, GI	Watkyns, BRW
Fourie, A	Mabandla, M	Peter, XG	Weavers, M
Fourie, GD	Maci, L	Petersen, MJ	Williams, A
Francke, P	Mack, CJ	Philander, S	Yalezo, S
Gabier, A	Makanda, MN	Pienaar, S	Yozi, SK
Gabriel, PJ	Makasi, N	Pietersen, MP	Zondani, LG
Gabuza, A	Makeleni, K	Pretorius, IJ	
Gqada, T	Makeleni, LC	Pringle, SB	
Gqola, TL	Mamba, KC	Pupa, T	

## 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 once again performed well over the past year despite the economy which remained under pressure in line with global trends. Amidst the mentioned challenging economic environment, the Entity's cash flow has remained strong.

The financial results once again demonstrated that the Entity is committed to support social infrastructure investments, the demand for which continues to outstrip the Entity's resources.

The overall summarised operating results for the Entity in comparison with 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.

	2012		2011	2011 – 2012
	Actual R'000	Budget R'000	Actual R'000	Growth %
<b>Revenue</b>				
Property rates	4 706 641	4 697 744	4 524 363	4,03
Service charges	12 112 884	12 223 909	10 493 553	15,43
Grants and subsidies – operating	1 626 991	1 750 358	1 385 536	17,43
Fuel levy	1 637 276	1 637 276	1 510 960	8,36
Other	1 544 891	1 385 879	1 375 534	12,31
	<b>21 628 683</b>	<b>21 695 166</b>	19 289 946	12,12
<b>Expenses</b>				
Employee benefits	6 955 786	7 042 977	6 184 573	12,47
Impairment costs	847 513	1 056 640	799 494	6,01
Net depreciation and amortisation expenses – see note 33	871 927	904 526	799 433	9,07
Finance costs	683 166	766 497	719 170	(5,01)
Bulk purchases	5 705 263	5 697 676	4 620 165	23,49
Contract services	2 270 080	2 368 007	2 081 964	9,04
Other	3 444 705	3 497 774	3 099 014	11,15
	<b>20 778 440</b>	<b>21 334 097</b>	18 303 813	13,52
<b>Net operating surplus</b>	<b>877 417</b>	<b>361 069</b>	986 133	
Grants and subsidies – capital	2 194 505	2 343 192	1 330 653	
Grant-funded assets financed from reserve	(522 907)	(482 095)	(484 249)	
<b>Surplus</b>	<b>2 521 841</b>	<b>2 222 166</b>	1 832 537	
Appropriation and taxation	(1 644 424)	(1 699 854)	(683 285)	
<b>Net result</b>	<b>877 417</b>	<b>522 312</b>	1 149 252	

Over the past year consolidated revenues increased by 12,12% to R21,63 billion. Service charges grew by 15,43% and were the most significant contributor to revenues.

Consolidated operating expenses increased by 13,52% to R20,78 billion. Repairs and maintenance for the Entity were R1,89 billion for the year (2011: R1,71 billion) and constituted the major portion of contracted services. The Entity does not intend to cut back on repairs and

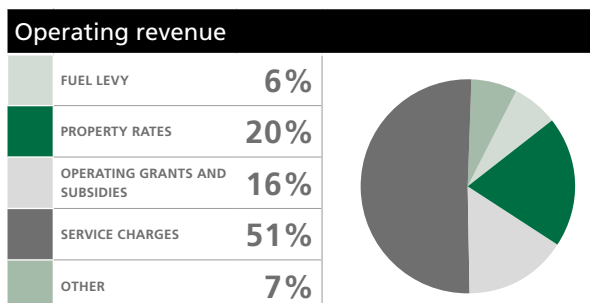
maintenance programmes, as they are critical to the organisation. These programmes are monitored closely, because the preservation of assets is essential for continued service delivery.

In addition, the Entity reported a net operating surplus of R877,42 million (2011: R986,13 million) against a budgeted surplus of R361,07 million.

## Operating revenue

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

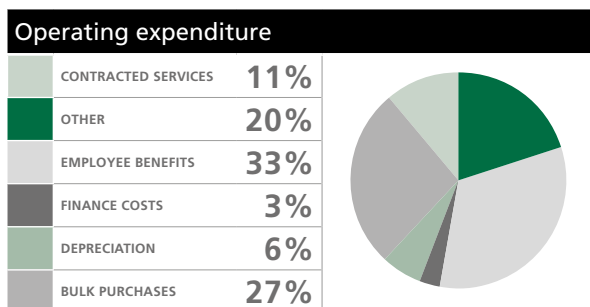
- fuel levy;
- property rates;
- government grants and subsidies;
- service charges which are made up of:
  - electricity sales;
  - water sales;
  - wastewater management (sewerage and sanitation); and
  - waste management (solid waste); and
- other.



Further details of service charges are contained in note 23 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 for the Entity.



Further details are contained in notes 30 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

	2012			2011
	Actual R'000	Budget R'000	Variance R'000	Actual R'000
Revenue	11 450 950	11 383 332	(67 618)	10 522 950
Expenditure	(11 495 521)	(11 864 851)	(369 330)	(10 441 351)
Operating deficit for the year	(44 571)	(481 519)	(436 948)	81 599
Capital and subsidies – capital	1 823 210	1 956 296	133 080	1 125 648
Results for the year – see appendix C	1 778 639	1 474 777	(303 868)	1 207 247
Appropriations	(1 372 165)	(1 406 024)	(33 859)	(578 329)
Net results for the year	406 474	68 747	(337 727)	628 918

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

#### Utility services

	2012			2011
	Actual R'000	Budget R'000	Variance R'000	Actual R'000
Revenue	15 274 581	15 422 611	148 030	13 512 174
Expenditure	(14 917 231)	(15 064 989)	(147 758)	(13 099 961)
Operating surplus for the year	357 350	357 622	272	412 213
Capital and subsidies – capital	371 295	386 897	15 607	205 005
Result for the year – see appendix C	728 645	744 519	15 879	617 218
Appropriations	(298 157)	(293 830)	(25 673)	(98 501)
Net results for the year	460 488	450 694	(9 794)	518 716

#### Subsidiaries (controlled and municipal entities)

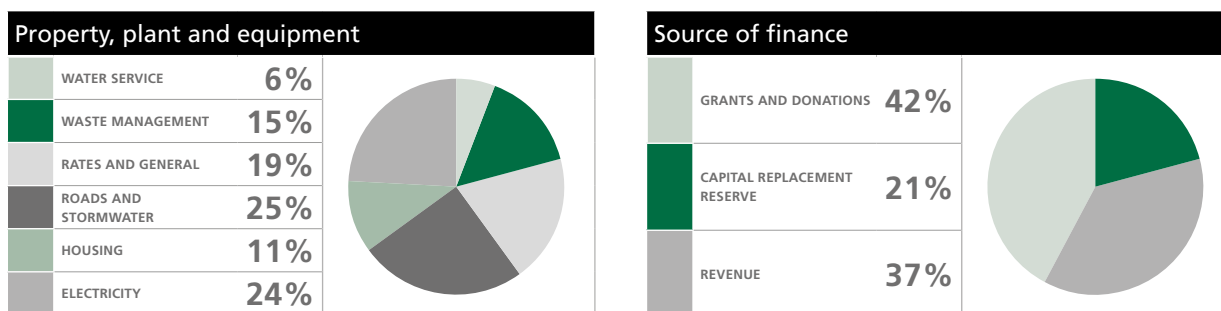
	2012			2011
	Actual R'000	Budget R'000	Variance R'000	Actual R'000
Revenue	240 978	150 561	(90 417)	238 910
Expenditure	(226 421)	(147 690)	78 731	(230 837)
Results for the year – see appendix C	14 557	2 871	(11 686)	8 073
Taxation	(4 104)	–	4 104	(6 455)
Net results for the year	10 453	2 871	(7 582)	1 618

## CAPITAL EXPENDITURE

As at 30 June 2012 the Entity's investment in property, plant and equipment amounted to R4,25 billion, compared to R2,89 billion for the previous financial period. This represents a 92,48% (2011: 77,03%) capital spend.

Capital commitments as at 30 June 2012 amounted to R2,03 billion (2011: R1,38 billion).

The aforementioned fixed assets were financed from the following sources:

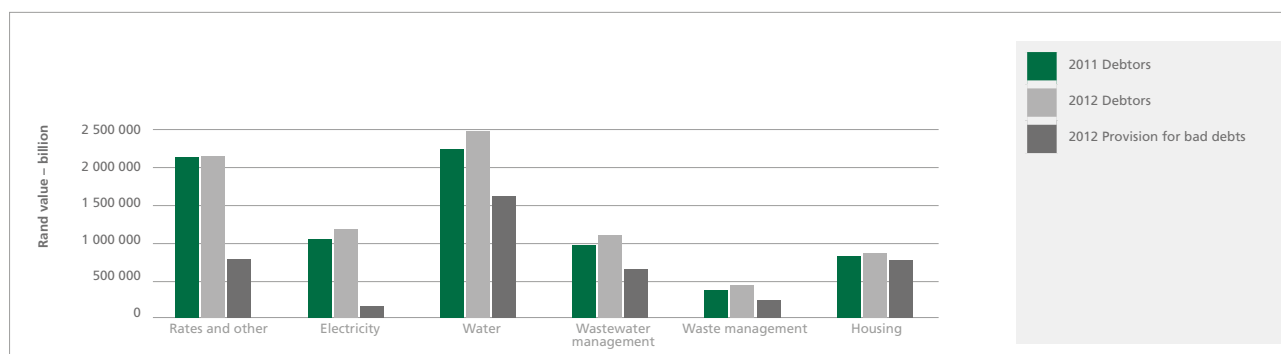


A complete analysis of capital expenditure (budgeted and actual) per functional area is included in appendix C, while appendix B contains details according to asset class. More details regarding external loans used to finance fixed assets are shown in appendix A.

## CONSUMER DEBTORS

Outstanding consumer debtors as at 30 June 2012 were R8,16 billion (2011: R7,52 billion). Total provision for impairment increased from R3,82 billion to R4,18 billion, which represents 51,25% of the total outstanding consumer debtors. The increase in debt in arrears is largely due to the raising of interest on arrear indigent debtors. 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 R437,25 million (2011: R272,69 million) has been written off during the year under review.

The outstanding consumer debtors as at 30 June 2012 are represented graphically below, also reflecting the coverage by the provision for impairment.



## REPORT BY THE CHIEF FINANCIAL OFFICER

### INVESTMENTS, CASH AND BORROWING

Investments as at 30 June 2012 amounted to R2,99 billion, of which R641,65 million was set aside for the repayment of loans. Cash and cash equivalents, which represent cash and deposits with a maturity term of less than three months, increased by R177,40 million to R3,48 billion.

Interest-bearing debt reduced by R179,16 million for the year ended 30 June 2012. The Entity repaid interest-bearing debt of R200,40 million for the financial year under review.

Additional information regarding investments, cash and cash equivalents and loans is 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.

	2012 R'million	2011 R'million
Cash from operating activities	5 258	3 703
Cash from investing activities	(4 928)	(4 793)
Cash from financing activities	(152)	(260)

#### Cash flows from operating activities

The Entity's sources of liquidity are cash flows from operating activities and borrowings. Cash flows from operating activities increased from R3,71 billion to R5,26 billion. 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.

#### Cash flows from financing activities

In the 2012 financial year cash flows from financing activities were primarily due to the repayment of loans.

### CREDIT RATING

The Entity is rated by Moody's Investors Service. During the year under review, Moody rated the Entity as an Aa2.za negative outlook. However, during November 2012 Moody's downgrade of the country's sovereign rating has had a knock-on effect on the City's rating, which has now also been downgraded from Aa2.za to Aa3.za negative outlook. To monitor its credit rating and capacity for long-term financing, the City considers various qualitative and quantitative factors. As at 30 June 2012 and 30 June 2011 the gearing ratio, which is net debt divided by total capital plus net debt, was 18,73% and 21,28% respectively. For the purpose of this calculation, net debt is defined in note 46.4 of the consolidated annual financial statements.

### EXPRESSION OF APPRECIATION

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

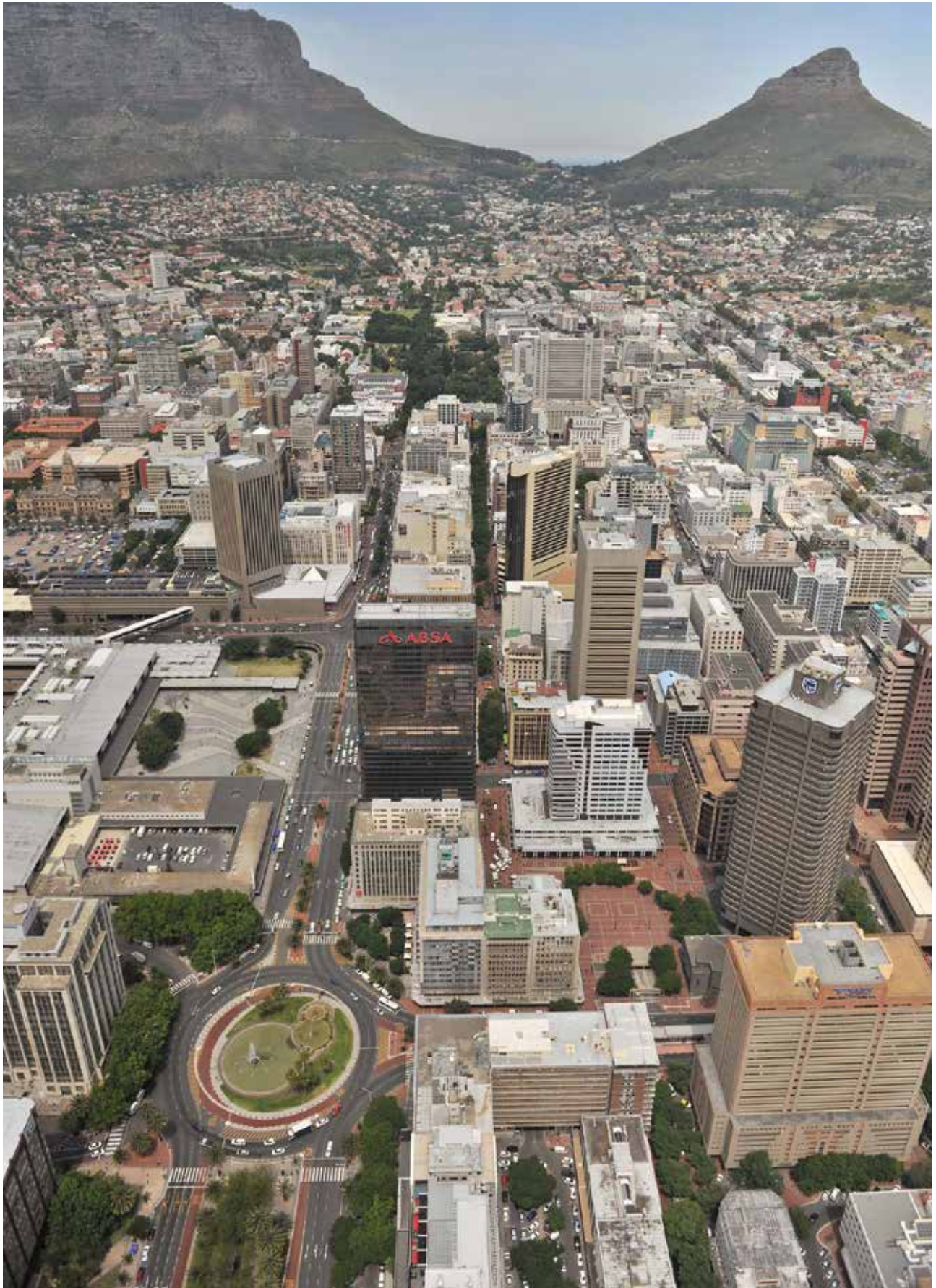
A special word of gratitude goes to the accounting staff for their contribution, and to the staff of the Auditor-General, the auditors appointed by the Auditor-General, as well as their staff, for conducting the external audit and for their assistance, support and cooperation during the year.

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



Kevin Jacoby  
Chief Financial Officer







# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	Economic Entity		Municipality	
		2012 R'000	2011 R'000 Restated <sup>1</sup>	2012 R'000	2011 R'000 Restated <sup>1</sup>
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>24 916 058</b>	22 028 520	<b>24 772 497</b>	21 882 359
Property, plant and equipment	1	24 399 586	21 659 720	24 217 257	21 474 791
Heritage assets	2	12 742	11 914	12 742	11 914
Investment property	3	192 478	84 999	192 478	84 999
Intangible assets	4	100 432	44 884	100 432	44 884
Investments	6	111 492	111 477	150 260	150 245
Long-term receivables	7	99 328	115 526	99 328	115 526
<b>Current assets</b>		<b>10 930 435</b>	9 617 108	<b>10 769 233</b>	9 455 791
Assets classified as held for sale	5	43	126	43	126
Inventory	8	254 385	236 634	253 008	235 249
Receivables	9	3 977 942	3 706 347	3 979 256	3 709 111
Receivables from exchange transactions		2 756 953	2 454 401	2 756 953	2 454 401
Receivables from non-exchange transactions		1 220 989	1 251 946	1 222 303	1 254 710
Other receivables	10	313 387	204 083	305 949	194 259
Other receivables from exchange transactions		155 550	96 628	148 112	86 804
Other receivables from non-exchange transactions		157 837	107 455	157 837	107 455
Investments	6	2 883 387	2 146 596	2 883 387	2 146 596
Current portion of long-term receivables	7	19 758	19 193	19 758	19 193
Cash and cash equivalents	11	3 481 533	3 304 129	3 327 832	3 151 257
<b>TOTAL ASSETS</b>		<b>35 846 493</b>	31 645 628	<b>35 541 730</b>	31 338 150
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>		<b>9 276 134</b>	8 882 088	<b>9 252 622</b>	8 856 173
Borrowings	12	5 192 992	5 361 398	5 176 421	5 343 836
Provisions	13	4 076 201	3 512 337	4 076 201	3 512 337
Deferred taxation	38	6 941	8 353	–	–
<b>Current liabilities</b>		<b>7 140 811</b>	5 851 729	<b>7 101 568</b>	5 801 721
Deposits	14	291 441	244 695	274 944	233 492
Provisions	15	1 028 845	777 384	1 025 777	774 911
Payables from exchange transactions	16	3 799 494	3 356 178	3 783 153	3 321 917
Unspent conditional grants and receipts	17	1 665 752	1 108 680	1 665 752	1 108 680
Value added tax	18	57 756	57 368	57 756	57 368
Taxation		1 381	528	–	–
Current portion of borrowings	12	296 142	306 896	294 186	305 353
<b>TOTAL LIABILITIES</b>		<b>16 416 945</b>	14 733 817	<b>16 354 190</b>	14 657 894
<b>NET ASSETS</b>					
<b>Total net assets</b>		<b>19 429 548</b>	16 911 811	<b>19 187 540</b>	16 680 256
Housing Development Fund	19	521 463	539 070	521 463	539 070
Reserves	20	1 770 255	1 771 534	1 770 255	1 771 534
Accumulated surplus	21	17 002 060	14 468 763	16 895 822	14 369 652
Non-controlling interest	22	135 770	132 444	–	–
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>35 846 493</b>	31 645 628	<b>35 541 730</b>	31 338 150

1. See note 47 for more details.

# STATEMENT OF FINANCIAL PERFORMANCE

## FOR THE YEAR ENDED 30 JUNE 2012

	Note	Economic Entity		Municipality	
		2012 R'000	2011 R'000 Restated <sup>1</sup>	2012 R'000	2011 R'000 Restated <sup>1</sup>
<b>REVENUE</b>					
<b>Exchange revenue</b>		<b>13 513 381</b>	11 702 611	<b>13 282 331</b>	11 471 709
Service charges	23	<b>12 112 884</b>	10 493 553	<b>11 986 765</b>	10 359 727
Rental of letting stock and facilities	24	<b>289 736</b>	250 316	<b>289 736</b>	250 316
Finance income	25	<b>569 982</b>	530 589	<b>561 761</b>	522 070
Licences and permits		<b>41 471</b>	37 645	<b>41 471</b>	37 645
Agency services		<b>123 651</b>	115 991	<b>123 651</b>	115 991
Other income	26	<b>331 513</b>	253 906	<b>234 803</b>	165 380
Gains on disposal of property, plant and equipment		<b>44 144</b>	20 611	<b>44 144</b>	20 580
<b>Non-exchange revenue</b>		<b>10 309 807</b>	8 917 988	<b>10 404 464</b>	9 004 966
City Improvement Districts	26	<b>–</b>	–	<b>89 508</b>	81 409
Property rates	27	<b>4 706 641</b>	4 524 363	<b>4 712 098</b>	4 529 932
Fuel levy		<b>1 637 276</b>	1 510 960	<b>1 637 276</b>	1 510 960
Fines		<b>144 394</b>	166 476	<b>144 394</b>	166 476
Government grants and subsidies	28	<b>3 757 835</b>	2 636 469	<b>3 757 835</b>	2 636 469
Public contributions	29	<b>63 661</b>	79 720	<b>63 353</b>	79 720
<b>Total revenue</b>		<b>23 823 188</b>	20 620 599	<b>23 686 795</b>	20 476 675
<b>EXPENDITURE</b>					
Employee-related costs	30	<b>6 955 786</b>	6 184 573	<b>6 916 012</b>	6 147 892
Remuneration of councillors	31	<b>97 916</b>	88 858	<b>97 772</b>	88 621
Impairment costs	32	<b>847 513</b>	799 494	<b>845 842</b>	783 092
Collection costs		<b>166 380</b>	174 755	<b>166 380</b>	174 755
Depreciation and amortisation expenses	33	<b>1 394 834</b>	1 283 682	<b>1 372 096</b>	1 262 100
Finance costs	34	<b>683 166</b>	719 170	<b>681 533</b>	717 475
Bulk purchases	35	<b>5 705 263</b>	4 620 165	<b>5 705 263</b>	4 620 165
Contracted services		<b>2 270 080</b>	2 081 964	<b>2 193 662</b>	2 010 269
Grants and subsidies paid	36	<b>103 502</b>	93 393	<b>103 492</b>	93 382
General expenses	37	<b>3 075 160</b>	2 738 305	<b>3 095 735</b>	2 750 930
Losses on disposal of property, plant and equipment		<b>1 747</b>	3 702	<b>1 724</b>	3 529
<b>Total expenditure<sup>2</sup></b>		<b>21 301 347</b>	18 788 061	<b>21 179 511</b>	18 652 210
<b>Surplus</b>		<b>2 521 841</b>	1 832 538	<b>2 507 284</b>	1 824 465
<b>Taxation</b>	38	<b>(4 104)</b>	(6 455)	<b>–</b>	–
<b>Surplus after taxation</b>		<b>2 517 737</b>	1 826 083	<b>2 507 284</b>	1 824 465
Attributable to owners of the controlling entity		<b>2 514 411</b>	1 827 243		
Attributable to non-controlling interest	22	<b>3 326</b>	(1 160)		
<b>SURPLUS FOR THE YEAR</b>		<b>2 517 737</b>	1 826 083		

1. See note 47 for more details.

2. Includes the repair and maintenance amount of R1,89 billion (2011: R1,71 billion).

# STATEMENT OF CHANGES IN NET ASSETS

## FOR THE YEAR ENDED 30 JUNE 2012

### Economic Entity

	Housing develop- ment fund R'000	Capital replace- ment reserve R'000	Self- insurance reserve R'000	Accumu- lated surplus R'000	Non- controlling interest R'000	Total R'000
<b>2011</b>						
<b>Balance as at 30 June 2010</b>	531 472	1 180 916	658 175	12 581 561	133 604	15 085 728
<b>Restated surplus at 1 July 2010<sup>1</sup></b>	–	–	–	1 827 243	–	1 827 243
Surplus at 30 June 2011 – previously reported	–	–	–	1 734 960	(1 160)	(1 160)
Correction of errors				92 283	–	–
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>	539 070	1 186 371	585 163	14 468 763	132 444	16 911 811
<b>2012</b>						
Surplus for the year	–	–	–	2 514 411	3 326	2 517 737
Transfer to/(from)	(9 088)	818 572	(88 981)	(720 503)	–	–
Property, plant and equipment purchased	(8 519)	(730 870)	–	739 389	–	–
<b>Balance as at 30 June 2012</b>	521 463	1 274 073	496 182	17 002 060	135 770	19 429 548

### Municipality

	Housing develop- ment fund R'000	Capital replace- ment reserve R'000	Self- insurance reserve R'000	Accumu- lated surplus R'000	Total R'000
<b>2011</b>					
<b>Balance at 30 June 2010</b>	531 472	1 180 916	658 175	12 485 228	14 855 791
<b>Restated surplus at 1 July 2010<sup>1</sup></b>				1 824 465	1 824 465
Surplus at 30 June 2011 – previously reported	–	–	–	1 732 182	–
Correction of errors	–	–	–	92 283	–
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>	539 070	1 186 371	585 163	14 369 652	16 680 256
<b>2012</b>					
Surplus for the year	–	–	–	2 507 284	2 507 284
Transfer to/(from)	(9 088)	818 572	(88 981)	(720 503)	–
Property, plant and equipment purchased	(8 519)	(730 870)	–	739 389	–
<b>Balance at 30 June 2012</b>	521 463	1 274 073	496 182	16 895 822	19 187 540

1. See note 47 for more details.

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2012

	Note	Economic Entity		Municipality	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
					Restated <sup>1</sup>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other		<b>22 486 566</b>	19 154 392	<b>22 359 438</b>	19 018 393
Cash paid to suppliers and employees		<b>(17 132 808)</b>	(15 242 390)	<b>(17 019 721)</b>	(15 160 258)
Cash generated from operations	39	<b>5 353 758</b>	3 912 002	<b>5 339 717</b>	3 858 135
Finance income		<b>572 094</b>	512 376	<b>563 873</b>	503 857
Finance costs		<b>(663 394)</b>	(710 888)	<b>(661 761)</b>	(709 193)
Taxation		<b>(4 663)</b>	(9 981)	–	–
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>5 257 795</b>	3 703 509	<b>5 241 829</b>	3 652 799
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Additions to property, plant and equipment and other		<b>(4 253 098)</b>	(2 895 348)	<b>(4 233 245)</b>	(2 857 761)
Proceeds on disposal of assets		<b>45 983</b>	63 604	<b>45 983</b>	63 278
Decrease/(increase) in assets held for sale		<b>83</b>	(60)	<b>83</b>	(60)
Decrease in non-current receivables		<b>15 633</b>	1 819	<b>15 633</b>	1 819
(Increase) in investments		<b>(736 806)</b>	(1 962 720)	<b>(736 806)</b>	(1 962 720)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(4 928 205)</b>	(4 792 705)	<b>(4 908 352)</b>	(4 755 444)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
New loans raised		<b>431</b>	335	–	–
Loans repaid		<b>(199 363)</b>	(262 568)	<b>(198 354)</b>	(261 609)
Increase in deposits		<b>46 746</b>	2 102	<b>41 452</b>	4 332
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(152 186)</b>	(260 131)	<b>(156 902)</b>	(257 277)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	40	<b>177 404</b>	(1 349 327)	<b>176 575</b>	(1 359 922)
Cash and cash equivalents at the beginning of the year		<b>3 304 129</b>	4 653 456	<b>3 151 257</b>	4 511 179
<b>Cash and cash equivalents at the end of the year</b>		<b>3 481 533</b>	3 304 129	<b>3 327 832</b>	3 151 257



# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actuals 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>42.2.1</b>					
Total non-current assets		24 916 058	27 199 565	25 328 852	412 794	1,63
Total current assets	i	10 930 435	7 664 200	6 916 319	(4 014 116)	(58,04)
<b>Total assets</b>		<b>35 846 493</b>	<b>34 863 765</b>	<b>32 245 171</b>	<b>(3 601 322)</b>	<b>(11,17)</b>
Total non-current liabilities		9 276 134	10 488 998	9 085 680	(190 454)	(2,10)
Total current liabilities	ii	7 140 811	5 282 869	4 248 021	(2 892 790)	(68,10)
<b>Total liabilities</b>		<b>16 416 945</b>	<b>15 771 867</b>	<b>13 333 701</b>	<b>(3 083 244)</b>	<b>(23,12)</b>
Total net assets		19 429 548	19 091 898	18 911 470	(518 078)	(2,74)
<b>Total net assets and liabilities</b>		<b>35 846 493</b>	<b>34 863 765</b>	<b>32 245 171</b>	<b>(3 601 322)</b>	<b>(11,17)</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>42.2.2</b>					
Service charges		12 112 884	12 532 716	12 223 909	111 025	0,91
Rental of letting stock and facilities	i	289 736	264 043	263 608	(26 128)	(9,91)
Finance income	ii	569 982	416 261	416 261	(153 721)	(36,93)
Licences and permits	iii	41 471	30 046	30 046	(11 425)	(38,03)
Agency services	iv	123 651	115 993	115 993	(7 658)	(6,60)
Other income	v	331 513	278 009	302 008	(29 505)	(9,77)
Gains on disposal of property, plant and equipment	vi	44 144	105 000	85 000	40 856	48,07
Property rates		4 706 641	4 667 744	4 697 744	(8 897)	(0,19)
Fuel levy		1 637 276	1 637 276	1 637 276	–	–
Fines	vii	144 394	186 892	172 963	28 569	16,52
Government grants and subsidies	viii	3 757 835	4 539 536	4 009 151	251 316	6,27
Public contributions	ix	63 661	73 639	84 399	20 738	24,57
<b>Total revenue</b>		<b>23 823 188</b>	<b>24 847 155</b>	<b>24 038 358</b>	<b>215 170</b>	<b>0,90</b>
Employee-related costs		6 955 786	7 131 487	7 042 977	87 191	1,24
Remuneration of councillors	i	97 916	109 156	109 156	11 240	10,30
Impairment costs	ii	847 513	1 072 226	1 056 640	209 127	19,79
Collection costs		166 380	201 229	170 729	4 349	2,55
Depreciation and amortisation expenses		1 394 834	1 386 621	1 386 621	(8 213)	(0,59)
Finance costs	iii	683 166	766 497	766 497	83 331	10,87
Bulk purchases		5 705 263	5 785 576	5 697 676	(7 587)	(0,13)
Contracted services		2 270 080	2 399 092	2 368 007	97 927	4,14
Grants and subsidies paid		103 502	96 419	106 248	2 746	2,58
General expenses		3 075 160	3 340 762	3 111 641	36 481	1,17
Losses on disposal of property, plant and equipment		1 747	–	–	(1 747)	–
<b>Total expenditure</b>		<b>21 301 347</b>	<b>22 289 065</b>	<b>21 816 192</b>	<b>514 845</b>	<b>2,36</b>
<b>Surplus for the year</b>		<b>2 521 841</b>	<b>2 558 090</b>	<b>2 222 166</b>	<b>(299 675)</b>	<b>(13,49)</b>

	Note	Actuals R'000	Approved budget R'000	Final budget R'000	Variance: Final budget and actual amounts R'000	Variance %
<b>CASH FLOW STATEMENT</b>	<b>42.2.3</b>					
Net cash from (used) operating	i	5 257 795	4 187 458	2 211 783	(3 046 012)	(137,72)
Net cash from (used) investing	ii	(4 928 205)	(5 171 557)	(2 646 102)	2 282 103	(86,24)
Net cash from (used) financing	iii	(152 186)	1 325 535	(180 184)	(27 998)	15,54
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>177 404</b>	<b>341 436</b>	<b>(614 503)</b>	<b>(791 907)</b>	<b>128,87</b>
<b>CAPITAL EXPENDITURE</b>	<b>42.2.4</b>					
City Health		22 801	24 848	22 972	171	0,74
City Manager	i	122	422	142	20	14,08
Community Services		162 772	136 857	168 893	6 121	3,62
Corporate Services		204 771	205 871	211 269	6 498	3,08
Deputy City Manager	ii	13 962	24 419	16 945	2 983	17,60
Economic, Environmental and Spatial Planning	iii	36 727	52 694	42 841	6 114	14,27
Finance		119 902	155 232	120 821	919	0,76
Safety and Security		67 079	41 101	68 175	1 096	1,61
Social Development and Early Childhood Development	iv	9 446	11 350	12 330	2 884	23,39
Tourism, Events and Marketing	v	62 875	54 779	72 695	9 820	13,51
Transport, Roads and Stormwater	vi	1 280 796	1 824 558	1 430 884	150 088	10,49
Human Settlements	vii	490 725	751 081	553 787	63 062	11,39
Waste Management		229 903	284 271	230 653	750	0,33
Water and Wastewater Management	viii	605 156	691 214	643 257	38 101	5,92
Electricity		926 208	831 170	965 548	39 340	4,07
Subsidiaries	ix	19 853	37 587	37 587	17 734	47,18
<b>Total<sup>1</sup></b>		<b>4 253 098</b>	<b>5 127 454</b>	<b>4 598 799</b>	<b>345 701</b>	<b>7,52</b>

1. The actual amount does not include the contributed assets amount of R76,43 million. See appendix B.

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# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### ACCOUNTING POLICIES

#### 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 under "Reporting Entity's Mandate" at the start of these 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 47, 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 GRAP, issued by the 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 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. This was performed per service-identifiable categories across all debtor classes.

- **Impairment of property, plant and equipment**

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

- **Provisions and contingent liabilities**

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities, as set out in notes 13 and 49.2 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

- **Useful lives of property, plant and equipment**

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated 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.

- **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 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, except for GRAP 18 and 20. Effective dates have been given for some of the standards, while for others no effective dates have yet been determined. At the date of submission of these financial statements for the year ended 30 June 2012 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
  - GRAP 104 – Financial instruments
- Annual periods commencing on or after 1 April 2013:
  - GRAP 25 – Employee benefits

- No effective dates provided as yet:
  - GRAP 18 – Segment reporting
  - GRAP 20 – Related-party disclosures (revised)
  - 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.

## 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 that afford the Entity 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.

## HOUSING FUNDS

The housing development fund was established in terms of the Housing Act, 1997 (Act No. 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.

## 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 purchasing items of property, plant and equipment, and may not be used for their maintenance.
- 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 covers claims that may occur, subject to reinsurance where deemed necessary. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

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, 1993 (Act No. 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



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

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.

### 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 non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

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 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:

Infrastructure	Years	Other	Years
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
Community	Years	Bins and containers	5
		Plant and equipment	5 – 10
Recreational facilities	20 – 30	Landfill sites	30
Security	5 – 10	Central processing units	4
		Library books	1

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its use as intended by management. Freehold land is not depreciable as it has an indefinite useful life. 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.

### HERITAGE ASSETS

An 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.

An heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where an heritage asset is acquired through a non-exchange transaction, its cost is deemed to be 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 when 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.

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria are no longer 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.

## **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.

## **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 comprise 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.

## **VALUE-ADDED TAX**

The Entity accounts for value-added tax on the payment basis.

## **GRANTS AND RECEIPTS**

Income received from conditional grants, donations and subsidies is recognised in so far as the Entity has complied with all 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, should the funds not be committed for future use, that such funds be repaid.

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## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

Interest earned on the investment is treated in accordance with grant conditions.

Unconditional grants are immediately recognised as revenue.

#### **Grants and receipts of a revenue nature**

Income is transferred to the statement of financial performance as revenue to the extent that the criteria, conditions or obligations have been met.

#### **Grants and receipts of a capital nature**

Income is transferred to the statement of financial performance to the extent that 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.

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.

#### **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 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 that 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 that they occur. The projected unit credit method has been used to value the obligation.

##### **Short- 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.

## 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 when 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 and ratepayers have been duly notified. 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, 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, 2003 (Act No. 56 of 2003), and is recognised when the recovery thereof from the responsible councillors or officials is probable.

## 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.



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## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

- 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.

#### 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 to, 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 payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and 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 or cancelled or when it expires.

#### PAYABLES

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### RECEIVABLES

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 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.

#### 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, 2003 (Act No. 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, Municipal Systems Act, 2000 (Act No. 32 of 2000), and Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998), or that 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.

## SERVICES IN KIND

The Entity does not recognise services in kind as revenue or as an asset, but separately discloses the nature and type of major classes of services in kind as a note to the financial statements.

## 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.

## RELATED PARTIES

The Entity regards a related party as a person or an entity with the ability to control individually or jointly, or exercise significant influence over the Entity, or vice versa.

Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, City Manager, Deputy City Manager and executive directors.

## CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with that construction contract are recognised as revenue and expenses respectively, by reference to the stage of completion of the contract activity at the reporting date.

The stage of completion is based on the proportion of contract costs incurred to date relative to the estimated total costs.

When the outcome of a construction contract cannot be reliably measured, revenue is recognised only to the extent that contract costs incurred are likely to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

In some cases, certain construction activities and technical supervision have been subcontracted to private-sector contractors for a fixed completion-of-contract fee. Where this has occurred, the subcontracted costs are recognised by way of the percentage-of-completion method for each subcontract.

Amounts received before the related work is performed are included in the statement of financial position as a liability, under unspent conditional grants and receipts.

## 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 Council both at the beginning and during the year following a period of consultation with the public as part of the IDP.

## 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.

## 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.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 1. PROPERTY, PLANT AND EQUIPMENT

	Economic Entity						Carrying value R'000
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Disposals R'000	Depre- ciation R'000	Impairment R'000	
<b>As at 30 June 2012</b>							
Land and buildings	2 049 221	(348 522)	73 596	(48)	(81 381)	(20 327)	1 672 539
Infrastructure	11 578 408	(204 000)	2 645 556	–	(590 791)	(234)	13 428 939
Community	5 072 370	591 269	232 914	–	(220 508)	–	5 676 045
Leased assets	65 592	(65 592)	–	–	–	–	–
Other	2 282 583	(186 682)	1 085 892	(2 797)	(457 276)	(6 831)	2 714 889
Housing rental stock	611 546	171 872	152 690	(727)	(28 207)	–	907 174
<b>TOTAL</b>	<b>21 659 720</b>	<b>(41 655)</b>	<b>4 190 648</b>	<b>(3 572)</b>	<b>(1 378 163)</b>	<b>(27 392)</b>	<b>24 399 586</b>

(See appendix B for more details)

#### As at 30 June 2011

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>

	Municipality						Carrying value R'000
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Disposals R'000	Depre- ciation R'000	Impairment R'000	
<b>As at 30 June 2012</b>							
Land and buildings	1 898 806	(348 522)	69 758	(25)	(67 202)	(20 327)	1 532 488
Infrastructure	11 578 408	(204 000)	2 645 556	–	(590 791)	(234)	13 428 939
Community	5 072 370	591 269	232 914	–	(220 508)	–	5 676 045
Leased assets	65 592	(65 592)	–	–	–	–	–
Other	2 248 069	(186 682)	1 069 569	(2 797)	(448 717)	(6 831)	2 672 611
Housing rental stock	611 546	171 872	152 690	(727)	(28 207)	–	907 174
<b>TOTAL</b>	<b>21 474 791</b>	<b>(41 655)</b>	<b>4 170 487</b>	<b>(3 549)</b>	<b>(1 355 425)</b>	<b>(27 392)</b>	<b>24 217 257</b>

(See appendix B for more details)

#### As at 30 June 2011

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>

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 has 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 R1,30 billion (2011: R1,94 billion) are still in use.

## 2. HERITAGE ASSETS

	Economic Entity				Carrying value R'000
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Disposals R'000	
<b>As at 30 June 2012</b>					
Assets under construction	3 552	(268)	350	–	3 634
Paintings and art galleries	8 362	750	–	(4)	9 108
<b>TOTAL</b>	<b>11 914</b>	<b>482</b>	<b>350</b>	<b>(4)</b>	<b>12 742</b>
(See appendix B for more details)					
<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>

	Municipality				Carrying value R'000
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Disposals R'000	
<b>As at 30 June 2012</b>					
Assets under construction	3 552	(268)	350	–	3 634
Paintings and art galleries	8 362	750	–	(4)	9 108
<b>TOTAL</b>	<b>11 914</b>	<b>482</b>	<b>350</b>	<b>(4)</b>	<b>12 742</b>
(See appendix B for more details)					
<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>

## 3. INVESTMENT PROPERTY

	Economic Entity				Carrying value R'000
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Depre- ciation R'000	
<b>As at 30 June 2012</b>					
Vacant land	38 366	–	109 132	–	147 498
Land and buildings	46 633	–	–	(1 653)	44 980
<b>TOTAL</b>	<b>84 999</b>	<b>–</b>	<b>109 132</b>	<b>(1 653)</b>	<b>192 478</b>
(See appendix B for more details)					
<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>–</b>	<b>(2 598)</b>	<b>84 999</b>

	Municipality				Carrying value R'000
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Depre- ciation R'000	
<b>As at 30 June 2012</b>					
Vacant land	38 366	–	109 132	–	147 498
Land and buildings	46 633	–	–	(1 653)	44 980
<b>TOTAL</b>	<b>84 999</b>	<b>–</b>	<b>109 132</b>	<b>(1 653)</b>	<b>192 478</b>
(See appendix B for more details)					
<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>–</b>	<b>(2 598)</b>	<b>84 999</b>

Rental income has been received on various properties during the year.



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 4. INTANGIBLE ASSETS

	Economic Entity				
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Amort- isation R'000	Carrying value R'000
<b>As at 30 June 2012</b>					
Computer software (acquired separately)	44 884	41 163	29 403	(15 018)	100 432
(See appendix B for more details)					
<b>As at 30 June 2011</b>					
Computer software (acquired separately)	31 709	14 989	8 393	(10 207)	44 884

	Municipality				
	Opening balance R'000	Transfers/ adjust- ments R'000	Additions R'000	Amort- isation R'000	Carrying value R'000
<b>As at 30 June 2012</b>					
Computer software (acquired separately)	44 884	41 163	29 403	(15 018)	100 432
(See appendix B for more details)					
<b>As at 30 June 2011</b>					
Computer software (acquired separately)	31 709	14 989	8 393	(10 207)	44 884

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.

### 5. ASSETS CLASSIFIED AS HELD FOR SALE

	Economic Entity			
	Opening balance R'000	Transfers/ adjust- ments R'000	Disposals R'000	Carrying value R'000
<b>As at 30 June 2012</b>				
Land held for sale	126	10	(93)	43
(See appendix B for more details)				
<b>As at 30 June 2011</b>				
Land held for sale	66	61	(1)	126

	Municipality			
	Opening balance R'000	Transfers/ adjust- ments R'000	Disposals R'000	Carrying value R'000
<b>As at 30 June 2012</b>				
Land held for sale	126	10	(93)	43
(See appendix B for more details)				
<b>As at 30 June 2011</b>				
Land held for sale	66	61	(1)	126

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

	Economic Entity			
	Amortised cost R'000	Fair value R'000	Cost R'000	Total R'000
<b>As at 30 June 2012</b>				
RSA Government stock	50 013	–	–	50 013
Sinking-fund deposits – see note 41	71 064	570 587	–	641 651
Other fixed deposits	1 608 681	–	–	1 608 681
Deposits held with fund managers	–	4 024 813	–	4 024 813
	<b>1 729 758</b>	<b>4 595 400</b>	<b>–</b>	<b>6 325 158</b>
Provision for impairment	(9 616)	–	–	(9 616)
<b>Net investments</b>	<b>1 720 142</b>	<b>4 595 400</b>	<b>–</b>	<b>6 315 542</b>
Current portion transferred to short-term investments	(37)	(2 883 350)	–	(2 883 387)
Current portion transferred to cash and cash equivalents – see note 11	(1 608 613)	(1 712 050)	–	(3 320 663)
<b>TOTAL</b>	<b>111 492</b>	<b>–</b>	<b>–</b>	<b>111 492</b>
<b>Investments detailed as follows:</b>				
Balance at the beginning of the year	1 746 054	3 638 038	–	5 384 092
Capital invested	17 604 030	700 000	–	18 304 030
Investments matured	(17 660 010)	–	–	(17 660 010)
Recognised in the statement of financial performance	30 068	257 362	–	287 430
Finance income	30 068	260 933	–	291 001
Gains on valuation of investments	–	1 543	–	1 543
Transaction cost	–	(5 114)	–	(5 114)
<b>Balance at the end of the year</b>	<b>1 720 142</b>	<b>4 595 400</b>	<b>–</b>	<b>6 315 542</b>
	Amortised cost R'000	Fair value R'000	Cost R'000	Total R'000
<b>As at 30 June 2011</b>				
RSA Government stock	48 472	–	–	48 472
Sinking-fund deposits – see note 41	113 233	363 765	–	476 998
Other fixed deposits	1 593 966	–	–	1 593 966
Deposits held with fund managers	–	3 274 273	–	3 274 273
	<b>1 755 671</b>	<b>3 638 038</b>	<b>–</b>	<b>5 393 709</b>
Provision for impairment	(9 616)	–	–	(9 616)
<b>Net investments</b>	<b>1 746 055</b>	<b>3 638 038</b>	<b>–</b>	<b>5 384 093</b>
Current portion transferred to short-term investments	(50 294)	(2 096 302)	–	(2 146 596)
Current portion transferred to cash and cash equivalents – see note 11	(1 584 284)	(1 541 736)	–	(3 126 020)
<b>TOTAL</b>	<b>111 477</b>	<b>–</b>	<b>–</b>	<b>111 477</b>
<b>Investments detailed as follows:</b>				
Balance at the beginning of the year	3 263 195	1 522 542	–	4 785 737
Capital invested	11 151 539	3 000 000	–	14 151 539
Investments matured	(12 683 695)	(1 038 110)	–	(13 721 805)
Recognised in the statement of financial performance	15 016	153 606	–	168 622
Finance income	15 016	146 740	–	161 756
Gains on valuation of investments	–	11 100	–	11 100
Transaction cost	–	(4 234)	–	(4 234)
<b>Balance at the end of the year</b>	<b>1 746 055</b>	<b>3 638 038</b>	<b>–</b>	<b>5 384 093</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 6. INVESTMENTS (continued)

	Amortised cost R'000	Municipality Fair value R'000	Cost R'000	Total R'000
<b>As at 30 June 2012</b>				
RSA Government stock	50 013	–	–	50 013
Sinking-fund deposits – see note 41	71 064	570 587	–	641 651
Other fixed deposits	1 482 345	–	–	1 482 345
Deposits held with fund managers	–	4 024 813	–	4 024 813
Shares in CTICC	–	–	284 000	284 000
	1 603 422	4 595 400	284 000	6 482 822
Provision for impairment	(9 616)	–	(245 232)	(254 848)
<b>Net investments</b>	1 593 806	4 595 400	38 768	6 227 974
Current portion transferred to short-term investments	(37)	(2 883 350)	–	(2 883 387)
Current portion transferred to cash and cash equivalents – see note 11	(1 482 277)	(1 712 050)	–	(3 194 327)
<b>TOTAL</b>	111 492	–	38 768	150 260
<b>Investments detailed as follows:</b>				
Balance at the beginning of the year	1 625 197	3 638 038	38 768	5 302 003
Capital invested	17 170 387	700 000	–	17 870 387
Investments matured	(17 231 846)	–	–	(17 231 846)
Recognised in the statement of financial performance	30 068	257 362	–	287 430
Finance income	30 068	260 933	–	291 001
Gains on valuation of investments	–	1 543	–	1 543
Transaction cost	–	(5 114)	–	(5 114)
<b>Balance at the end of the year</b>	1 593 806	4 595 400	38 768	6 227 974
	Amortised cost R'000	Fair value R'000	Cost R'000	Total R'000
<b>As at 30 June 2011</b>				
RSA Government stock	48 472	–	–	48 472
Sinking-fund deposits – see note 41	113 233	363 765	–	476 998
Other fixed deposits	1 473 108	–	–	1 473 108
Deposits held with fund managers	–	3 274 273	–	3 274 273
Shares in CTICC	–	–	284 000	284 000
	1 634 813	3 638 038	284 000	5 556 851
Provision for impairment	(9 616)	–	(245 232)	(254 848)
<b>Net investments</b>	1 625 197	3 638 038	38 768	5 302 003
Current portion transferred to short-term investments	(50 294)	(2 096 302)	–	(2 146 596)
Current portion transferred to cash and cash equivalents – see note 11	(1 463 426)	(1 541 736)	–	(3 005 162)
<b>TOTAL</b>	111 477	–	38 768	150 245
<b>Investments detailed as follows:</b>				
Balance at the beginning of the year	3 145 737	1 522 542	38 768	4 707 047
Capital invested	10 770 000	3 000 000	–	13 770 000
Investments matured	(12 305 556)	(1 038 110)	–	(13 343 666)
Recognised in the statement of financial performance	15 016	153 606	–	168 622
Finance income	15 016	146 740	–	161 756
Gains on valuation of investments	–	11 100	–	11 100
Transaction cost	–	(4 234)	–	(4 234)
<b>Balance at the end of the year</b>	1 625 197	3 638 038	38 768	5 302 003

## 6. INVESTMENTS (continued)

### Collateral deposits for staff housing loans

Included in other fixed deposits are fixed deposits with a carrying value of R0,47 million (2011: 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.

## 7. LONG-TERM RECEIVABLES

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Sporting bodies	<b>1 194</b>	1 363	<b>1 194</b>	1 363
Housing land sales	<b>1 026</b>	1 104	<b>1 026</b>	1 104
	<b>16 569</b>	23 798	<b>16 569</b>	23 798
Public organisations	<b>20 756</b>	28 657	<b>20 756</b>	28 657
Provision for impairment	<b>(4 187)</b>	(4 859)	<b>(4 187)</b>	(4 859)
	<b>100 297</b>	108 454	<b>100 297</b>	108 454
Housing selling developments	<b>178 591</b>	200 655	<b>178 591</b>	200 655
Provision for impairment	<b>(78 294)</b>	(92 201)	<b>(78 294)</b>	(92 201)
	<b>119 086</b>	134 719	<b>119 086</b>	134 719
Current portion transferred to current receivables	<b>(19 758)</b>	(19 193)	<b>(19 758)</b>	(19 193)
<b>TOTAL</b>	<b>99 328</b>	115 526	<b>99 328</b>	115 526
<b>Reconciliation of impairment provision</b>				
Balance at the beginning of the year	<b>97 060</b>	118 401	<b>97 060</b>	118 401
Contributions (from) provisions	<b>(14 579)</b>	(21 510)	<b>(14 579)</b>	(21 510)
Transfers to provisions	<b>–</b>	169	<b>–</b>	169
<b>Balance as at 30 June</b>	<b>82 481</b>	97 060	<b>82 481</b>	97 060

### 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.

### Housing land sale

Long-term loan to the Khayelitsha Community Trust (KCT) (sale of portion 1–3, erf 58856) repayable over 18 years. Annual payments made, with the final payment due in 2024.

### Public organisations

Loans to public organisations are granted in terms of the National Housing Policy. At present, these loans attract interest at 1% and 11,25% for buildings and infrastructure respectively, and are repayable over 30 years. With the implementation of new legislation (MFMA and Housing Act 107), no further loans have been awarded and the final loan repayments are scheduled for 2032. Examples of public organisations are the National War Memorial and the Alta du Toit School.

### 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 by Council policy.

## 8. INVENTORY

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Consumable stores	<b>207 628</b>	197 484	<b>206 251</b>	196 099
Medical supplies	<b>310</b>	492	<b>310</b>	492
Spare parts and meters	<b>22 634</b>	14 351	<b>22 634</b>	14 351
Water	<b>15 070</b>	18 293	<b>15 070</b>	18 293
Other goods held for resale	<b>8 743</b>	3 549	<b>8 743</b>	3 549
Green-electricity rights	<b>–</b>	2 465	<b>–</b>	2 465
<b>TOTAL</b>	<b>254 385</b>	236 634	<b>253 008</b>	235 249

Inventory to the value of R5,40 million was scrapped during the year (2011: R1,24 million). Inventories (excluding bulk water) that were recognised as issues during the year amounted to R840,19 million (2011: R659,04 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.



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 9. RECEIVABLES

	Economic Entity					
	As at 30 June 2012			As at 30 June 2011		
	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000
<b>From exchange transactions</b>	<b>6 171 246</b>	<b>(3 414 293)</b>	<b>2 756 953</b>	5 522 855	(3 068 454)	2 454 401
Service debtors	5 156 925	(2 640 642)	2 516 283	4 592 489	(2 334 751)	2 257 738
Housing rental stock	470 135	(419 818)	50 317	421 713	(377 366)	44 347
Housing selling stock	389 288	(343 309)	45 979	389 461	(347 178)	42 283
Other exchange debtors	154 898	(10 524)	144 374	119 192	(9 159)	110 033
<b>From non-exchange transactions</b>	<b>1 987 952</b>	<b>(766 963)</b>	<b>1 220 989</b>	1 999 025	(747 079)	1 251 946
Rates debtors	1 928 182	(734 060)	1 194 122	1 939 105	(712 937)	1 226 168
Other non-exchange debtors	59 770	(32 903)	26 867	59 920	(34 142)	25 778
<b>TOTAL</b>	<b>8 159 198</b>	<b>(4 181 256)</b>	<b>3 977 942</b>	<b>7 521 880</b>	<b>(3 815 533)</b>	<b>3 706 347</b>

Consumer debtors to the amount of R2,56 billion (2011: R1,47 billion) are only due after 30 days. Included in the outstanding balances are consumer debtors to the value of R634,76 million (2011: R497,97 million), who have made arrangements to repay their outstanding debt over a renegotiated period. As at 30 June 2012, the City's receivables balance included an amount of approximately R120,36 million (2011: R173 million), owed by National Government and the Provincial Government.

	2012 R'000	2011 R'000
<b>Reconciliation of impairment provision</b>		
Balance at the beginning of the year	3 815 533	3 299 430
Contributions to provisions	803 015	785 503
Transfers (from)/to provisions	(40)	3 292
Bad debts written off	(437 252)	(272 692)
<b>Balance as at 30 June</b>	<b>4 181 256</b>	<b>3 815 533</b>

In determining the recoverability of a receivable, the Entity considers any change in the credit quality of the receivable from the date on which the credit was initially granted, up to the reporting date. The concentration of credit risk is limited, 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. RECEIVABLES (continued)

	Economic Entity						
	Analysis of 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 2012</b>							
<b>From exchange transactions</b>							
Electricity	1 173 436	801 427	103 708	39 641	(5 071)	107 584	126 147
Provision for impairment	(148 768)	(17 311)	(2 240)	(856)	110	(2 324)	(126 147)
	1 024 668	784 116	101 468	38 785	(4 961)	105 260	–
Water	2 470 316	371 358	11 459	75 677	89 868	484 636	1 437 318
Provision for impairment	(1 613 858)	(63 465)	(1 959)	(12 933)	(15 359)	(82 824)	(1 437 318)
	856 458	307 893	9 500	62 744	74 509	401 812	–
Waste management	426 645	93 148	4 168	14 187	15 853	84 303	214 986
Provision for impairment	(230 606)	(6 874)	(308)	(1 047)	(1 170)	(6 221)	(214 986)
	196 039	86 274	3 860	13 140	14 683	78 082	–
Wastewater management	1 086 528	224 820	(38 637)	41 093	48 588	230 265	580 399
Provision for impairment	(647 410)	(29 766)	5 116	(5 441)	(6 433)	(30 487)	(580 399)
	439 118	195 054	(33 521)	35 652	42 155	199 778	–
Housing rental stock	470 135	34 033	13 521	9 116	9 030	82 991	321 444
Provision for impairment	(419 818)	(22 516)	(8 946)	(6 031)	(5 974)	(54 907)	(321 444)
	50 317	11 517	4 575	3 085	3 056	28 084	–
Housing selling stock	389 288	35 447	7 026	2 659	2 526	36 518	305 112
Provision for impairment	(343 309)	(16 150)	(3 038)	(1 222)	(1 160)	(16 627)	(305 112)
	45 979	19 297	3 988	1 437	1 366	19 891	–
Other exchange debtors	154 898	260 869	(25 755)	(28 807)	(22 447)	(25 711)	(3 251)
Provision for impairment	(10 524)	(22 722)	2 243	2 509	1 955	2 240	3 251
	144 374	238 147	(23 512)	(26 298)	(20 492)	(23 471)	–
<b>Gross exchange debtors</b>	6 171 246	1 821 102	75 490	153 566	138 347	1 000 586	2 982 155
Provision for impairment	(3 414 293)	(178 804)	(9 132)	(25 021)	(28 031)	(191 150)	(2 982 155)
<b>From non-exchange transactions</b>							
Rates debtors	1 928 182	688 885	(6 195)	66 451	113 065	350 984	714 992
Provision for impairment	(734 060)	(10 836)	97	(1 043)	(1 775)	(5 511)	(714 992)
	1 194 122	678 049	(6 098)	65 408	111 290	345 473	–
Other non-exchange debtors	59 770	49 432	(29 541)	1 508	1 685	6 347	30 339
Provision for impairment	(32 903)	(4 306)	2 573	(131)	(147)	(553)	(30 339)
	26 867	45 126	(26 968)	1 377	1 538	5 794	–
<b>Gross non-exchange debtors</b>	1 987 952	738 317	(35 736)	67 959	114 750	357 331	745 331
Provision for impairment	(766 963)	(15 142)	2 670	(1 174)	(1 922)	(6 064)	(745 331)
<b>Gross debtors</b>	8 159 198	2 559 419	39 754	221 525	253 097	1 357 917	3 727 486
Total provision for impairment	(4 181 256)	(193 946)	(6 462)	(26 195)	(29 953)	(197 214)	(3 727 486)
<b>TOTAL</b>	3 977 942	2 365 473	33 292	195 330	223 144	1 160 703	–

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 9. RECEIVABLES (continued)

	Total R'000	Not due R'000	Economic Entity Analysis of receivables' age in days				+365 R'000
			0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 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)
	891 615	597 461	128 745	39 582	19 413	106 414	–
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)
	795 583	163 274	134 371	64 075	50 185	383 678	–
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)
	173 456	40 525	26 979	16 166	12 064	77 722	–
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)
	397 084	86 991	60 416	32 423	29 458	187 796	–
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)
	44 347	7 733	3 971	3 067	3 037	26 539	–
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)
	42 283	16 822	2 784	1 442	1 385	19 850	–
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)
	110 033	(24 980)	194 931	(15 395)	(9 721)	(34 802)	–
<b>Gross exchange debtors</b>	5 522 855	973 763	615 960	165 736	126 917	937 889	2 702 590
Provision for impairment	(3 068 454)	(85 937)	(63 763)	(24 376)	(21 096)	(170 692)	(2 702 590)
<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)
	1 226 168	454 719	255 392	102 339	42 712	371 006	–
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)
	25 778	12 585	3 199	3 252	804	5 938	–
<b>Gross non-exchange debtors</b>	1 999 025	494 501	273 476	111 708	46 027	398 668	674 645
Provision for impairment	(747 079)	(27 197)	(14 885)	(6 117)	(2 511)	(21 724)	(674 645)
<b>Gross debtors</b>	7 521 880	1 468 264	889 436	277 444	172 944	1 336 557	3 377 235
Total provision for impairment	(3 815 533)	(113 134)	(78 648)	(30 493)	(23 607)	(192 416)	(3 377 235)
<b>TOTAL</b>	3 706 347	1 355 130	810 788	246 951	149 337	1 144 141	–

## 9. RECEIVABLES (continued)

	Municipality					
	As at 30 June 2012			As at 30 June 2011		
	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000
<b>From exchange transactions</b>	<b>6 171 246</b>	<b>(3 414 293)</b>	<b>2 756 953</b>	5 522 855	(3 068 454)	2 454 401
Service debtors	5 156 925	(2 640 642)	2 516 283	4 592 489	(2 334 751)	2 257 738
Housing rental stock	470 135	(419 818)	50 317	421 713	(377 366)	44 347
Housing selling stock	389 288	(343 309)	45 979	389 461	(347 178)	42 283
Other exchange debtors	154 898	(10 524)	144 374	119 192	(9 159)	110 033
<b>From non-exchange transactions</b>	<b>1 989 266</b>	<b>(766 963)</b>	<b>1 222 303</b>	2 001 789	(747 079)	1 254 710
Rates debtors	1 929 496	(734 060)	1 195 436	1 941 869	(712 937)	1 228 932
Other non-exchange debtors	59 770	(32 903)	26 867	59 920	(34 142)	25 778
<b>TOTAL</b>	<b>8 160 512</b>	<b>(4 181 256)</b>	<b>3 979 256</b>	7 524 644	(3 815 533)	3 709 111

	2012 R'000	2011 R'000
<b>Reconciliation of impairment provision</b>		
Balance at the beginning of the year	3 815 533	3 299 430
Contributions to provisions	803 015	785 503
Transfers (from)/to provisions	(40)	3 292
Bad debts written off	(437 252)	(272 692)
<b>Balance as at 30 June</b>	<b>4 181 256</b>	3 815 533



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 9. RECEIVABLES (continued)

	Municipality						
	Analysis of 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 2012</b>							
<b>From exchange transactions</b>							
Electricity	1 173 436	801 427	103 708	39 641	(5 071)	107 584	126 147
Provision for impairment	(148 768)	(17 311)	(2 240)	(856)	110	(2 324)	(126 147)
	1 024 668	784 116	101 468	38 785	(4 961)	105 260	–
Water	2 470 316	371 358	11 459	75 677	89 868	484 636	1 437 318
Provision for impairment	(1 613 858)	(63 465)	(1 959)	(12 933)	(15 359)	(82 824)	(1 437 318)
	856 458	307 893	9 500	62 744	74 509	401 812	–
Waste management	426 645	93 148	4 168	14 187	15 853	84 303	214 986
Provision for impairment	(230 606)	(6 874)	(308)	(1 047)	(1 170)	(6 221)	(214 986)
	196 039	86 274	3 860	13 140	14 683	78 082	–
Wastewater management	1 086 528	224 820	(38 637)	41 093	48 588	230 265	580 399
Provision for impairment	(647 410)	(29 766)	5 116	(5 441)	(6 433)	(30 487)	(580 399)
	439 118	195 054	(33 521)	35 652	42 155	199 778	–
Housing rental stock	470 135	34 033	13 521	9 116	9 030	82 991	321 444
Provision for impairment	(419 818)	(22 516)	(8 946)	(6 031)	(5 974)	(54 907)	(321 444)
	50 317	11 517	4 575	3 085	3 056	28 084	–
Housing selling stock	389 288	35 447	7 026	2 659	2 526	36 518	305 112
Provision for impairment	(343 309)	(16 150)	(3 038)	(1 222)	(1 160)	(16 627)	(305 112)
	45 979	19 297	3 988	1 437	1 366	19 891	–
Other exchange debtors	154 898	260 869	(25 755)	(28 807)	(22 447)	(25 711)	(3 251)
Provision for impairment	(10 524)	(22 722)	2 243	2 509	1 955	2 240	3 251
	144 374	238 147	(23 512)	(26 298)	(20 492)	(23 471)	–
<b>Gross exchange debtors</b>	6 171 246	1 821 102	75 490	153 566	138 347	1 000 586	2 982 155
Provision for impairment	(3 414 293)	(178 804)	(9 132)	(25 021)	(28 031)	(191 150)	(2 982 155)
<b>From non-exchange transactions</b>							
Rates debtors	1 929 496	690 199	(6 195)	66 451	113 065	350 984	714 992
Provision for impairment	(734 060)	(10 836)	97	(1 043)	(1 775)	(5 511)	(714 992)
	1 195 436	679 363	(6 098)	65 408	111 290	345 473	–
Other non-exchange debtors	59 770	49 432	(29 541)	1 508	1 685	6 347	30 339
Provision for impairment	(32 903)	(4 306)	2 573	(131)	(147)	(553)	(30 339)
	26 867	45 126	(26 968)	1 377	1 538	5 794	–
<b>Gross non-exchange debtors</b>	1 989 266	739 631	(35 736)	67 959	114 750	357 331	745 331
Provision for impairment	(766 963)	(15 142)	2 670	(1 174)	(1 922)	(6 064)	(745 331)
<b>Gross debtors</b>	8 160 512	2 560 733	39 754	221 525	253 097	1 357 917	3 727 486
Total provision for impairment	(4 181 256)	(193 946)	(6 462)	(26 195)	(29 953)	(197 214)	(3 727 486)
<b>TOTAL</b>	3 979 256	2 366 787	33 292	195 330	223 144	1 160 703	–

## 9. RECEIVABLES (continued)

	Total R'000	Not due R'000	Municipality Analysis of receivables' age in days				+365 R'000
			0 – 30 R'000	31 – 60 R'000	61 – 90 R'000	91 – 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)
	891 615	597 461	128 745	39 582	19 413	106 414	–
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)
	795 583	163 274	134 371	64 075	50 185	383 678	–
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)
	173 456	40 525	26 979	16 166	12 064	77 722	–
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)
	397 084	86 991	60 416	32 423	29 458	187 796	–
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)
	44 347	7 733	3 971	3 067	3 037	26 539	–
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)
	42 283	16 822	2 784	1 442	1 385	19 850	–
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)
	110 033	(24 980)	194 931	(15 395)	(9 721)	(34 802)	–
<b>Gross exchange debtors</b>	5 522 855	973 763	615 960	165 736	126 917	937 889	2 702 590
Provision for impairment	(3 068 454)	(85 937)	(63 763)	(24 376)	(21 096)	(170 692)	(2 702 590)
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)
	1 228 932	457 483	255 392	102 339	42 712	371 006	–
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)
	25 778	12 585	3 199	3 252	804	5 938	–
<b>Gross non-exchange debtors</b>	2 001 789	497 265	273 476	111 708	46 027	398 668	674 645
Provision for impairment	(747 079)	(27 197)	(14 885)	(6 117)	(2 511)	(21 724)	(674 645)
<b>Gross debtors</b>	7 524 644	1 471 028	889 436	277 444	172 944	1 336 557	3 377 235
Total provision for impairment	(3 815 533)	(113 134)	(78 648)	(30 493)	(23 607)	(192 416)	(3 377 235)
<b>TOTAL</b>	3 709 111	1 357 894	810 788	246 951	149 337	1 144 141	–

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 10. OTHER RECEIVABLES

	Economic Entity					
	As at 30 June 2012			As at 30 June 2011		
	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000
<b>From exchange transactions</b>	<b>203 687</b>	<b>(48 137)</b>	<b>155 550</b>	157 944	(61 316)	96 628
Payments made in advance	2 273	–	2 273	1 034	–	1 034
Property rentals	71 678	(38 354)	33 324	55 808	(54 527)	1 281
Other exchange debtors	129 736	(9 783)	119 953	101 102	(6 789)	94 313
<b>From non-exchange transactions</b>	<b>157 837</b>	<b>–</b>	<b>157 837</b>	107 455	–	107 455
Government subsidies	106 883	–	106 883	35 723	–	35 723
Other non-exchange debtors	50 954	–	50 954	71 732	–	71 732
<b>TOTAL</b>	<b>361 524</b>	<b>(48 137)</b>	<b>313 387</b>	265 399	(61 316)	204 083

Included in other exchange debtors is an amount of R24,80 million (2011: R2,61 million) for VAT owed by SARS.

	2012 R'000	2011 R'000
<b>Reconciliation of impairment provision</b>		
Balance at the beginning of the year	61 316	54 369
Contributions (from)/to provision	(13 059)	10 509
Transfer (from) provisions	–	(3 562)
Bad debts written off	(120)	–
<b>Balance as at 30 June</b>	<b>48 137</b>	61 316

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.

## 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 2012</b>							
<b>From exchange transactions</b>							
Payments made in advance	2 273	2 273	–	–	–	–	–
	2 273	2 273	–	–	–	–	–
Property rentals	71 678	5 397	15 449	2 446	2 455	12 443	33 488
Provision for impairment	(38 354)	(987)	(729)	(444)	(446)	(2 260)	(33 488)
	33 324	4 410	14 720	2 002	2 009	10 183	–
Other exchange debtors	129 736	107 438	9 081	300	440	5 245	7 232
Provision for impairment	(9 783)	(52)	(2 323)	(1)	(9)	(166)	(7 232)
	119 953	107 386	6 758	299	431	5 079	–
<b>Gross exchange debtors</b>	<b>203 687</b>	<b>115 108</b>	<b>24 530</b>	<b>2 746</b>	<b>2 895</b>	<b>17 688</b>	<b>40 720</b>
Provision for impairment	(48 137)	(1 039)	(3 052)	(445)	(455)	(2 426)	(40 720)
<b>From non-exchange transactions</b>							
Government subsidies	106 883	106 883	–	–	–	–	–
Other non-exchange debtors	50 954	50 954	–	–	–	–	–
<b>Gross non-exchange debtors</b>	<b>157 837</b>	<b>157 837</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Gross debtors</b>	<b>361 524</b>	<b>272 945</b>	<b>24 530</b>	<b>2 746</b>	<b>2 895</b>	<b>17 688</b>	<b>40 720</b>
Total provision for impairment	(48 137)	(1 039)	(3 052)	(445)	(455)	(2 426)	(40 720)
<b>TOTAL</b>	<b>313 387</b>	<b>271 906</b>	<b>21 478</b>	<b>2 301</b>	<b>2 440</b>	<b>15 262</b>	<b>–</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 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 2011</b>							
<b>From exchange transactions</b>							
Payments made in advance	1 034	1 034	–	–	–	–	–
	1 034	1 034	–	–	–	–	–
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)
	1 281	1 281	–	–	–	–	–
Other exchange debtors	101 102	79 298	9 872	124	189	5 811	5 808
Provision for impairment	(6 789)	(1)	(109)	(12)	(13)	(846)	(5 808)
	94 313	79 297	9 763	112	176	4 965	–
<b>Gross exchange debtors</b>	157 944	84 076	17 696	2 005	1 537	(7 627)	60 257
Provision for impairment	(61 316)	(2 464)	(7 933)	(1 893)	(1 361)	12 592	(60 257)
<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>	107 455	95 957	6 047	1 206	375	3 870	–
<b>Gross debtors</b>	265 399	180 033	23 743	3 211	1 912	(3 757)	60 257
Total provision for impairment	(61 316)	(2 464)	(7 933)	(1 893)	(1 361)	12 592	(60 257)
<b>TOTAL</b>	204 083	177 569	15 810	1 318	551	8 835	–

	Municipality					
	As at 30 June 2012			As at 30 June 2011		
	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000	Gross balance R'000	Provision for impair- ment R'000	Net balance R'000
<b>From exchange transactions</b>	<b>193 911</b>	<b>(45 799)</b>	<b>148 112</b>	147 453	(60 649)	86 804
Payments made in advance	497	–	497	130	–	130
Property rentals	71 678	(38 354)	33 324	55 808	(54 527)	1 281
Other exchange debtors	121 736	(7 445)	114 291	91 515	(6 122)	85 393
<b>From non-exchange transactions</b>	<b>157 837</b>	<b>–</b>	<b>157 837</b>	107 455	–	107 455
Government subsidies	106 883	–	106 883	35 723	–	35 723
Other non-exchange debtors	50 954	–	50 954	71 732	–	71 732
<b>TOTAL</b>	<b>351 748</b>	<b>(45 799)</b>	<b>305 949</b>	254 908	(60 649)	194 259

	2012 R'000	2011 R'000
<b>Reconciliation of impairment provision</b>		
Balance at beginning of the year	60 649	50 749
Contributions (from)/to provisions	(14 730)	9 900
Transfers to provisions	(120)	–
<b>Balance as at 30 June</b>	<b>45 799</b>	60 649

## 10. OTHER RECEIVABLES (continued)

Municipality							
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 2012</b>							
<b>From exchange transactions</b>							
Payments made in advance	497	497	–	–	–	–	–
	<b>497</b>	<b>497</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Property rentals	71 678	5 397	15 449	2 446	2 455	12 443	33 488
Provision for impairment	(38 354)	(987)	(729)	(444)	(446)	(2 260)	(33 488)
	<b>33 324</b>	<b>4 410</b>	<b>14 720</b>	<b>2 002</b>	<b>2 009</b>	<b>10 183</b>	<b>–</b>
Other exchange debtors	121 736	107 438	4 229	92	123	2 622	7 232
Provision for impairment	(7 445)	(52)	15	(1)	(9)	(166)	(7 232)
	<b>114 291</b>	<b>107 386</b>	<b>4 244</b>	<b>91</b>	<b>114</b>	<b>2 456</b>	<b>–</b>
<b>Gross exchange debtors</b>	<b>193 911</b>	<b>113 332</b>	<b>19 678</b>	<b>2 538</b>	<b>2 578</b>	<b>15 065</b>	<b>40 720</b>
Provision for impairment	<b>(45 799)</b>	<b>(1 039)</b>	<b>(714)</b>	<b>(445)</b>	<b>(455)</b>	<b>(2 426)</b>	<b>(40 720)</b>
<b>From non-exchange transactions</b>							
Government subsidies	106 883	106 883	–	–	–	–	–
Other non-exchange debtors	50 954	50 954	–	–	–	–	–
<b>Gross non-exchange debtors</b>	<b>157 837</b>	<b>157 837</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Gross debtors</b>	<b>351 748</b>	<b>271 169</b>	<b>19 678</b>	<b>2 538</b>	<b>2 578</b>	<b>15 065</b>	<b>40 720</b>
Total provision for impairment	<b>(45 799)</b>	<b>(1 039)</b>	<b>(714)</b>	<b>(445)</b>	<b>(455)</b>	<b>(2 426)</b>	<b>(40 720)</b>
<b>TOTAL</b>	<b>305 949</b>	<b>270 130</b>	<b>18 964</b>	<b>2 093</b>	<b>2 123</b>	<b>12 639</b>	<b>–</b>
	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	91 515	79 747	3 758	167	221	1 814	5 808
Provision for impairment	(6 122)	(1)	(45)	(12)	(13)	(243)	(5 808)
	<b>85 393</b>	<b>79 746</b>	<b>3 713</b>	<b>155</b>	<b>208</b>	<b>1 571</b>	<b>–</b>
<b>Gross exchange debtors</b>	<b>147 453</b>	<b>83 621</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>254 908</b>	<b>179 578</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>194 259</b>	<b>177 114</b>	<b>9 760</b>	<b>1 361</b>	<b>583</b>	<b>5 441</b>	<b>–</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 11. CASH AND CASH EQUIVALENTS (BANK AND CASH)

		<b>Economic Entity</b>		<b>Municipality</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Bank balance		<b>125 939</b>	148 803	<b>98 651</b>	116 877
ABSA – Primary bank account	40-5658-4470	<b>97 705</b>	116 867	<b>97 705</b>	116 867
Salary bank account	40-5658-4496	–	–	–	–
Cashier's bank account	40-5658-4527	–	–	–	–
General income account	40-5658-4569	–	–	–	–
Traffic fines bank account	40-7261-8663	–	–	–	–
IRT funding account	5435522023983015	<b>301</b>	10	<b>301</b>	10
IRT funding account	5435522024946011	<b>325</b>	–	<b>325</b>	–
IRT funding account	5435522024948017	<b>320</b>	–	<b>320</b>	–
Other – Subsidiaries		<b>27 288</b>	31 926	–	–
Year-end accruals		<b>(246)</b>	(194)	<b>(246)</b>	(194)
Interest accrual		<b>275</b>	291	<b>275</b>	291
Bank charges accrual		<b>(521)</b>	(485)	<b>(521)</b>	(485)
Cash on hand and in transit		<b>125 693</b>	148 609	<b>98 405</b>	116 683
Call and short-term deposits – see note 6		<b>35 177</b>	29 500	<b>35 100</b>	29 412
<b>Amortised cost</b>		<b>1 608 613</b>	1 584 284	<b>1 482 277</b>	1 463 426
Call and short-term deposits – see note 6		<b>1 769 483</b>	1 762 393	<b>1 615 782</b>	1 609 521
<b>Fair value</b>		<b>1 712 050</b>	1 541 736	<b>1 712 050</b>	1 541 736
<b>TOTAL</b>		<b>3 481 533</b>	3 304 129	<b>3 327 832</b>	3 151 257

Subsidiaries have separate bank accounts that are not listed separately.

Cash and cash equivalents comprise cash held and short-term deposits.

### 12. BORROWINGS

Local registered stock loans	<b>4 279 186</b>	4 278 903	<b>4 279 186</b>	4 278 903
Concessionary loans	<b>27 392</b>	30 357	<b>27 392</b>	30 357
Other loans	<b>1 182 556</b>	1 292 753	<b>1 164 029</b>	1 273 648
Finance leases	–	66 281	–	66 281
Subtotal – see appendix A for more details	<b>5 489 134</b>	5 668 294	<b>5 470 607</b>	5 649 189
Current portion transferred to current liabilities	<b>(296 142)</b>	(306 896)	<b>(294 186)</b>	(305 353)
<b>TOTAL</b>	<b>5 192 992</b>	5 361 398	<b>5 176 421</b>	5 343 836

A total of R641,65 million (2011: R477,00 million) has been ring-fenced for the repayment of long-term liabilities – see notes 6 and 41 for more details.

#### 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 Entity's DMTN programme, registered on the JSE, unsecured bonds totalling R4,20 billion are listed on the JSE. 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 repayment of the bonds.

<b>4 279 186</b>	4 278 903	<b>4 279 186</b>	4 278 903
<b>7 047</b>	7 047	<b>7 047</b>	7 047

<b>4 272 139</b>	4 271 856	<b>4 272 139</b>	4 271 856
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## 12. BORROWINGS (continued)

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
<b>CONCESSIONARY LOANS</b>	<b>27 392</b>	30 357	<b>27 392</b>	30 357
<b>DBSA</b>	<b>27 376</b>	30 343	<b>27 376</b>	30 343
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>	<b>16</b>	14	<b>16</b>	14
An unsecured fixed-rate loan, interest payable annually, and loan capital repayable on 31 August 2019.				
<b>OTHER LOANS</b>	<b>1 182 556</b>	1 292 753	<b>1 164 029</b>	1 273 648
<b>Development Bank of Southern Africa (DBSA)</b>	<b>683 284</b>	731 991	<b>683 284</b>	731 991
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>	<b>176 329</b>	183 268	<b>176 329</b>	183 268
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.				
<b>FirstRand Bank</b>	<b>20 625</b>	41 643	<b>20 625</b>	41 643
A structured 15-year loan to the value of R150 million, repayable semi-annually in equal instalments of capital and fixed interest.				
As part of the loan structure, the Entity entered into a loan-and-leaseback agreement. 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.				
The loan is secured by items of plant, to the carrying value of R15,83 million (2011: R20,89 million).				



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 12. BORROWINGS (continued)

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
<b>ABSA Bank</b>	<b>120 000</b>	140 000	<b>120 000</b>	140 000
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.				
<b>FirstRand Bank</b>	<b>163 791</b>	176 746	<b>163 791</b>	176 746
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.				
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 Future Growth. 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.				
<b>DBSA – Claremont Road Bypass Company</b>	<b>17 706</b>	18 621	–	–
Interest is charged at a nominal fixed rate of R186 plus 154 basis points per annum.				
Repayable in 28 equal six-monthly instalments, commencing on 30 September 2009.				
Secured by an agreement of cession from Claremont 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.				
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.				
<b>Loans from members – Zwaanswyk CID</b>	<b>431</b>	–	–	–
The loans bear interest at 9% and are payable by 30 June 2014.				
<b>Standard Bank Ltd – Epping CID</b>	<b>390</b>	484	–	–
The average lease term is three years, and the average effective borrowing rate was 12,79%.				
Interest rates are fixed at the contract date. All leases have fixed repayments, and no arrangements have been entered into for contingent rent.				
The Entity's obligations under finance leases are secured by the lessor's charge over the leased assets.				

## 12. BORROWINGS (continued)

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
<b>FINANCE LEASES</b>	–	66 281	–	66 281
<b>Nedbank</b>	–	61 997	–	61 997
A sale-and-leaseback, structured 15-year loan to the value of R55,30 million was funded by Nedbank through an infrastructure trust. Lease rentals equated to fixed-rate interest were payable semi-annually over 15 years; a bullet rental amount of R55,30 million was paid on 3 January 2012 out of the proceeds of a sinking fund in settlement of the loan. The Entity deposited equal amounts with Nedbank semi-annually, which, together with compounded interest over 15 years, equated to the original loan capital. The Entity ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.				
<b>Investec</b>	–	4 284	–	4 284
A sale-and-leaseback, structured 15-year loan to the value of R54,80 million was funded by Investec Bank. Lease rentals equated to loan fixed-rate interest plus capital was payable semi-annually over 15 years. Investec 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 deposited with Investec an amount, which, together with compound interest, equated to the option price paid on 31 December 2011. The Entity ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.				
<b>TOTAL – see appendix A for more details</b>	<b>5 489 134</b>	<b>5 668 294</b>	<b>5 470 607</b>	<b>5 649 189</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, 1962 (Act No. 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.

### SHORT-TERM DEBT FACILITIES

The municipality had the following short-term debt facilities with the Entity's main banker:

	2012 R'000	2011 R'000
Performance guarantee and/or letter of credit	15 000	15 000
Business travel card	2 000	2 000
Daylight limit	1 000 000	1 000 000
Business credit card	50	50

The short-term debt facilities are reviewed annually and can be explained as follows:

#### Performance guarantee and/or letters of credit

A guarantee issued by the bank is an undertaking that, should the Entity fail to fulfil its obligations in terms of a contract or an agreement, the bank will pay specific amounts as stated on the guarantee. The monies are due and payable on the written demand from the beneficiary.

#### Business travel card

A card issued by the bank enables the Entity to obtain goods and services on credit. It entails monies lent and advanced.

#### Daylight limit

A daylight limit is a facility that enables the Entity to transact even if there are insufficient funds on that particular day. It entails monies lent and advanced during the day, provided it is settled by the end of that business day.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 13. PROVISIONS (NON-CURRENT)

	Economic Entity				Total R'000
	Long- service leave R'000	Environ- mental rehabili- tation R'000	Post- retirement medical aid R'000	Post- retirement pension R'000	
<b>As at 30 June 2012</b>					
Balance at the beginning of the year	312 294	342 871	2 841 340	15 832	3 512 337
Interest cost	26 905	35 350	254 270	1 536	318 061
Service cost	39 775	(74 882)	79 194	651	44 738
Benefit payments	(40 927)	–	(126 316)	(1 505)	(168 748)
Actuarial losses/(gains)	37 535	–	376 394	(1 475)	412 454
Transferred from current provisions (prior year)	37 489	32 000	141 553	1 965	213 007
	413 071	335 339	3 566 435	17 004	4 331 849
Transfer to current provision	(36 256)	(6 500)	(211 176)	(1 716)	(255 648)
<b>TOTAL</b>	<b>376 815</b>	<b>328 839</b>	<b>3 355 259</b>	<b>15 288</b>	<b>4 076 201</b>

	Municipality				Total R'000
	Long- service leave R'000	Environ- mental rehabili- tation R'000	Post- retirement medical aid R'000	Post- retirement pension R'000	
<b>As at 30 June 2012</b>					
Balance at the beginning of the year	312 294	342 871	2 841 340	15 832	3 512 337
Interest cost	26 905	35 350	254 270	1 536	318 061
Service cost	39 775	(74 882)	79 194	651	44 738
Benefit payments	(40 927)	–	(126 316)	(1 505)	(168 748)
Actuarial losses/(gains)	37 535	–	376 394	(1 475)	412 454
Transferred from current provisions (prior year)	37 489	32 000	141 553	1 965	213 007
	413 071	335 339	3 566 435	17 004	4 331 849
Transfer to current provision	(36 256)	(6 500)	(211 176)	(1 716)	(255 648)
<b>TOTAL</b>	<b>376 815</b>	<b>328 839</b>	<b>3 355 259</b>	<b>15 288</b>	<b>4 076 201</b>

#### Long-service leave

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 10 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 2012 has been discounted at the market yields on government bonds consistent with the estimated term of the liability. A discount rate of 6,28% (2011: 8,16%) per annum has been used.

	2012 %	2011 %
<b>Key financial assumptions</b>		
Discount rate	6,3	8,2
General inflation rate (consumer price index)	5,9	6,3
Salary increase	5,0	6,5

#### Environmental rehabilitation

Provision is made in terms of the Entity's licensing stipulations on 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 5,2% (2011: 5,6%) and discounted to present value at the average borrowing cost of 10,59% (2011: 10,97%) – hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2013 and 2025.

#### Post-retirement medical aid and pension

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 48 for more details.

## 14. DEPOSITS

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Electricity and water	272 795	233 248	272 795	233 248
Other deposits	18 646	11 447	2 149	244
<b>TOTAL</b>	<b>291 441</b>	<b>244 695</b>	<b>274 944</b>	<b>233 492</b>

Guarantees held in lieu of electricity and water deposits were R38,60 million (2011: R29,26 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 2012 R'000	Raised R'000	Reversed R'000	Non- current R'000
Other provisions	149 217	223 132	(45 807)	–
Insurance claims	4 986	8 976	(4 986)	–
Post-retirement benefits	143 518	–	(143 518)	212 892
Legal fees	2 003	–	(2 003)	–
Environmental rehabilitation	32 000	–	(32 000)	6 500
Leave benefits	443 192	28 908	(37 489)	36 256
Performance bonuses	2 468	3 068	(2 468)	–
<b>TOTAL</b>	<b>777 384</b>	<b>264 084</b>	<b>(268 271)</b>	<b>255 648</b>

	Municipality			
	Opening balance 2012 R'000	Raised R'000	Reversed R'000	Non- current R'000
Other provisions	149 212	223 132	(45 802)	–
Insurance claims	4 986	8 976	(4 986)	–
Post-retirement benefits	143 518	–	(143 518)	212 892
Legal fees	2 003	–	(2 003)	–
Environmental rehabilitation	32 000	–	(32 000)	6 500
Leave benefits	443 192	28 908	(37 489)	36 256
<b>TOTAL</b>	<b>774 911</b>	<b>261 016</b>	<b>(265 798)</b>	<b>255 648</b>

### Insurance and COID claims

Provision has been made for outstanding insurance claims as at 30 June 2012, funded out of the insurance reserve. The assessment of claims is based on the assessed quantum of claims received.

### Legal fees

Legal costs are those 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 calculation of these amounts is based on attorney assessments.

### 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 standards. The provision is an estimate of the amount due to staff in the service of CTICC at the reporting date.



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 16. PAYABLES FROM EXCHANGE TRANSACTIONS

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Trade creditors	2 599 475	2 170 658	2 589 119	2 152 151
Payments received in advance	800 480	785 846	800 480	785 846
Inter-company advances	69 746	76 489	69 746	76 489
Third-party payments	238 908	215 034	238 908	215 034
Other creditors	90 885	108 151	84 900	92 397
<b>TOTAL</b>	<b>3 799 494</b>	<b>3 356 178</b>	<b>3 783 153</b>	<b>3 321 917</b>

Payables are non-interest-bearing and are normally settled on 30-day terms, except for retentions which are settled in terms of the contract agreement.

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

	1 603 821	1 040 996	1 603 821	1 040 996
Municipal infrastructure grant	–	63 547	–	63 547
National Government	1 378 915	586 486	1 378 915	586 486
Provincial Government of the Western Cape	224 906	390 963	224 906	390 963

#### Other conditional receipts

Public contributions	61 931	67 684	61 931	67 684
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<b>TOTAL</b>	<b>1 665 752</b>	<b>1 108 680</b>	<b>1 665 752</b>	<b>1 108 680</b>
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These amounts are separately invested in terms of section 12 of the MFMA. See notes 28 and 29 for more details on grants from National Government and Province as well as public contributions.

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 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

	303 077	273 431	303 077	273 431
VAT payable	420 687	435 785	420 687	435 785
Impairment	(117 610)	(162 354)	(117 610)	(162 354)
VAT receivable	(245 321)	(216 063)	(245 321)	(216 063)
<b>TOTAL</b>	<b>57 756</b>	<b>57 368</b>	<b>57 756</b>	<b>57 368</b>

The City of Cape Town is registered for VAT on the payment basis. The VAT liability was impaired as a result of impairment against debtors.

## 19. HOUSING DEVELOPMENT FUND

	Economic Entity		Municipality	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
<b>Realised housing proceeds</b>				
Balance at the beginning of the year	406 818	397 648	406 818	397 648
Income	47 781	54 437	47 781	54 437
Land sales	6 513	2 917	6 513	2 917
Repayments – long-term debtors	29 775	31 342	29 775	31 342
Repayments – public organisations	2 031	3 024	2 031	3 024
Service contributions	5 321	5 591	5 321	5 591
Subsidy refunds and other	4 141	11 563	4 141	11 563
Interest	19 912	21 761	19 912	21 761
Expenditure	(55 333)	(51 055)	(55 333)	(51 055)
Funding capital projects	(8 519)	(22 855)	(8 519)	(22 855)
Funding operating projects	(46 814)	(28 200)	(46 814)	(28 200)
Non-cash transfer to provision for impairment	(14 581)	(15 973)	(14 581)	(15 973)
<b>Balance at the end of the year</b>	<b>404 597</b>	<b>406 818</b>	<b>404 597</b>	<b>406 818</b>
<b>Unrealised housing proceeds</b>				
Balance at the beginning of the year	132 252	133 824	132 252	133 824
Loans realised	(29 963)	(22 914)	(29 963)	(22 914)
Long-term housing loans	(22 063)	(21 395)	(22 063)	(21 395)
Long-term loans – public organisations	(7 900)	(1 519)	(7 900)	(1 519)
Transfer to impairment provision – long-term selling schemes	13 906	21 510	13 906	21 510
Transfer to impairment provision – long-term public organisations	671	(168)	671	(168)
<b>Balance at the end of the year</b>	<b>116 866</b>	<b>132 252</b>	<b>116 866</b>	<b>132 252</b>
<b>TOTAL</b>	<b>521 463</b>	<b>539 070</b>	<b>521 463</b>	<b>539 070</b>
Unrealised housing proceeds represent loan repayments not yet due in terms of the debtors' loan agreement.				
<b>20. RESERVES</b>				
Capital replacement reserve	1 274 073	1 186 371	1 274 073	1 186 371
Insurance reserve	496 182	585 163	496 182	585 163
Self-insurance reserve	438 556	534 055	438 556	534 055
COVID reserve	57 626	51 108	57 626	51 108
<b>TOTAL</b>	<b>1 770 255</b>	<b>1 771 534</b>	<b>1 770 255</b>	<b>1 771 534</b>
The Capital Replacement Reserve (CRR) and the self-insurance reserve are fully funded and invested in ring-fenced financial instruments.				
<b>21. ACCUMULATED SURPLUS</b>				
Accumulated surplus	17 002 060	14 468 763	16 895 822	14 369 652
Receipts from acquired grant-funded assets to the value of R12,23 billion (2011: R10,57 billion) are included and earmarked to fund the depreciation charges over the assets' useful lives.				
<b>22. NON-CONTROLLING INTEREST</b>				
Balance at the beginning of the year	132 444	133 604		
Share of net surplus attributable to non-controlling interest	3 326	(1 160)		
<b>TOTAL</b>	<b>135 770</b>	<b>132 444</b>		
<b>23. SERVICE CHARGES</b>				
Sale of electricity	8 052 945	6 807 930	8 061 911	6 815 178
Sale of water	1 816 317	1 648 459	1 817 183	1 649 307
Waste management (solid waste)	710 609	651 966	710 609	651 966
Wastewater management (sewerage and sanitation)	1 002 897	903 205	1 002 897	903 205
Other	530 116	481 993	394 165	340 071
<b>TOTAL</b>	<b>12 112 884</b>	<b>10 493 553</b>	<b>11 986 765</b>	<b>10 359 727</b>



## 28. GOVERNMENT GRANTS AND SUBSIDIES

	Economic Entity		Municipality	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
<b>Unconditional grants</b>	<b>970 474</b>	<b>910 437</b>	<b>970 474</b>	<b>910 437</b>
Equitable share	970 474	836 662	970 474	836 662
Other	–	73 775	–	73 775
<b>Conditional grants</b>	<b>2 787 361</b>	<b>1 726 032</b>	<b>2 787 361</b>	<b>1 726 032</b>
Municipal infrastructure grant (MIG)	–	249 772	–	249 772
Provincial health subsidies	136 113	129 925	136 113	129 925
Provincial: Other	–	3 843	–	3 843
Cape Metropolitan Transport Fund (CMTF)	30 049	32 824	30 049	32 824
National projects	1 919 890	705 761	1 919 890	705 761
Provincial projects – other	700 901	592 282	700 901	592 282
Other	408	11 625	408	11 625
<b>TOTAL</b>	<b>3 757 835</b>	<b>2 636 469</b>	<b>3 757 835</b>	<b>2 636 469</b>
The Entity does not foresee a significant decrease in the level of grant funding.				
<b>Unconditional grants</b>				
These grants are used to subsidise the provision of basic services to indigent communities.				
<b>Analysis of government grants and subsidies</b>				
Operating	1 626 991	1 385 536	1 626 991	1 385 536
Capital	2 130 844	1 250 933	2 130 844	1 250 933
	<b>3 757 835</b>	<b>2 636 469</b>	<b>3 757 835</b>	<b>2 636 469</b>
<b>Municipal infrastructure grant projects</b>				
Balance unspent at the beginning of the year	(63 547)	–	(63 547)	–
Regrouping adjustment	–	70 407	–	70 407
Current-year receipts	–	(383 726)	–	(383 726)
Adjustments	63 547	–	63 547	–
Conditions met – transferred to revenue	–	249 772	–	249 772
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>–</b>	<b>(63 547)</b>	<b>–</b>	<b>(63 547)</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.				
<b>Provincial health subsidies</b>				
Balance unspent at the beginning of the year	–	–	–	–
Current-year receipts – included in public health vote	(136 113)	(129 925)	(136 113)	(129 925)
Conditions met – transferred to revenue	136 113	129 925	136 113	129 925
<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.				
<b>Provincial projects and CMTF</b>				
Balance unspent at the beginning of the year	(390 963)	(246 903)	(390 963)	(246 903)
Regrouping adjustment	68 302	1 545	68 302	1 545
Reclassification	–	3 843	–	3 843
Current-year receipts	(523 637)	(719 762)	(523 637)	(719 762)
Interest earned	(7 384)	(6 597)	(7 384)	(6 597)
Adjustments	1 646	(18 241)	1 646	(18 241)
Conditions met – transferred to revenue	730 950	625 106	730 950	625 106
Amounts still to be claimed	(103 820)	(29 954)	(103 820)	(29 954)
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>(224 906)</b>	<b>(390 963)</b>	<b>(224 906)</b>	<b>(390 963)</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 28. GOVERNMENT GRANTS AND SUBSIDIES (continued)

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
<b>National Government projects</b>				
Balance unspent at the beginning of the year	(586 486)	(702 923)	(586 486)	(702 923)
Regrouping adjustment	11 381	2 848	11 381	2 848
Reclassification	–	73 775	–	73 775
Current-year receipts	(2 625 891)	(640 032)	(2 625 891)	(640 032)
Interest earned	(90 070)	(37 312)	(90 070)	(37 312)
Adjustments	(7 531)	11 397	(7 531)	11 397
Conditions met – transferred to revenue	1 919 890	705 761	1 919 890	705 761
Amounts still to be claimed	(208)	–	(208)	–
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>(1 378 915)</b>	<b>(586 486)</b>	<b>(1 378 915)</b>	<b>(586 486)</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.				

### 29. PUBLIC CONTRIBUTIONS

Public contributions: Consumer connections	36 984	40 383	36 984	40 383
Other	26 677	39 337	26 369	39 337
<b>TOTAL</b>	<b>63 661</b>	<b>79 720</b>	<b>63 353</b>	<b>79 720</b>

#### Public contributions and other third-party funds

Balance unspent at the beginning of the year	(67 684)	(98 614)	(67 684)	(98 614)
Regrouping adjustment	(613)	6 390	(613)	6 390
Reclassification	–	17 900	–	17 900
Current-year receipts	(58 587)	(44 529)	(58 587)	(44 529)
Interest earned	(802)	(1 372)	(802)	(1 372)
Adjustments	6 259	(3 509)	6 259	(3 509)
Conditions met – transferred to revenue	62 353	61 820	62 353	61 820
Amounts still to be claimed	(2 857)	(5 770)	(2 857)	(5 770)
<b>Conditions still to be met – transferred to liabilities – see note 17</b>	<b>(61 931)</b>	<b>(67 684)</b>	<b>(61 931)</b>	<b>(67 684)</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.

### 30. EMPLOYEE-RELATED COSTS

Salaries and wages	4 341 494	3 990 865	4 305 903	3 959 861
Social contributions – UIF, pensions and medical aid	1 129 270	1 034 405	1 125 294	1 031 092
Travel, car, accommodation, subsistence and other allowances	287 457	273 051	287 457	273 051
Housing benefits and allowances	31 061	31 315	31 061	31 315
Overtime payments	310 412	277 658	310 205	277 174
Performance bonus – net contribution	–	1 880	–	–
Contribution: Post-retirement and long-service	878 229	600 062	878 229	600 062
	6 977 923	6 209 236	6 938 149	6 172 555
Expenditure recharged to capital projects	(22 137)	(24 663)	(22 137)	(24 663)
<b>TOTAL</b>	<b>6 955 786</b>	<b>6 184 573</b>	<b>6 916 012</b>	<b>6 147 892</b>

**31. REMUNERATION OF COUNCILLORS**

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
Executive Mayor	<b>1 050</b>	971	<b>1 050</b>	971
Deputy Executive Mayor	<b>740</b>	766	<b>740</b>	766
Speaker	<b>740</b>	766	<b>740</b>	766
Chief Whip	<b>695</b>	719	<b>695</b>	719
Mayoral Committee members	<b>7 350</b>	6 497	<b>7 350</b>	6 497
Subcouncil chairpersons	<b>15 206</b>	15 117	<b>15 206</b>	15 117
Councillors	<b>67 924</b>	54 274	<b>67 924</b>	54 274
Councillors' pension contributions	<b>4 067</b>	9 511	<b>4 067</b>	9 511
Board members (CTICC)	<b>144</b>	237	–	–
<b>TOTAL</b>	<b>97 916</b>	88 858	<b>97 772</b>	88 621

**32. IMPAIRMENT COSTS**

Allowances for impairment losses	<b>820 121</b>	773 536	<b>818 450</b>	773 226
Impairment of property, plant and equipment	<b>27 392</b>	25 958	<b>27 392</b>	9 866
<b>TOTAL</b>	<b>847 513</b>	799 494	<b>845 842</b>	783 092

**33. DEPRECIATION AND AMORTISATION EXPENSES**

Depreciation of property, plant and equipment	<b>1 378 163</b>	1 270 877	<b>1 355 425</b>	1 249 295
Depreciation of investment property	<b>1 653</b>	2 598	<b>1 653</b>	2 598
Amortisation of intangible assets	<b>15 018</b>	10 207	<b>15 018</b>	10 207
<b>TOTAL DEPRECIATION AND AMORTISATION EXPENSES –</b> see notes 1, 3, 4 and appendix B	<b>1 394 834</b>	1 283 682	<b>1 372 096</b>	1 262 100
Grants-funded assets financed from reserves	<b>(522 907)</b>	(484 249)	<b>(522 907)</b>	(484 249)
<b>NET TOTAL DEPRECIATION AND AMORTISATION</b>	<b>871 927</b>	799 433	<b>849 189</b>	777 851

**34. FINANCE COSTS**

Interest expenses	<b>647 526</b>	685 283	<b>645 900</b>	683 588
Borrowings (amortised cost)	<b>642 664</b>	663 565	<b>641 038</b>	661 870
Finance leases (amortised cost)	<b>4 862</b>	21 718	<b>4 862</b>	21 718
Unwinding of discount	<b>35 350</b>	33 604	<b>35 350</b>	33 604
Amortisation of bond issue expenses	<b>283</b>	283	<b>283</b>	283
Loss on foreign-exchange transactions	<b>7</b>	–	–	–
<b>TOTAL</b>	<b>683 166</b>	719 170	<b>681 533</b>	717 475

**35. BULK PURCHASES**

Electricity	<b>5 385 001</b>	4 326 842	<b>5 385 001</b>	4 326 842
Water	<b>320 262</b>	293 323	<b>320 262</b>	293 323
<b>TOTAL</b>	<b>5 705 263</b>	4 620 165	<b>5 705 263</b>	4 620 165

**36. GRANTS AND SUBSIDIES PAID**

Ad hoc	<b>10</b>	11	–	–
Community development and upliftment	<b>9 384</b>	9 315	<b>9 384</b>	9 315
Economic development and promotion of tourism	<b>71 238</b>	65 953	<b>71 238</b>	71 307
Education institutions	<b>1 239</b>	1 204	<b>1 239</b>	1 204
Health forum/health, HIV/Aids and TB programmes	<b>3 675</b>	4 909	<b>3 675</b>	4 909
Senior citizens – facilities for the aged	<b>289</b>	456	<b>289</b>	456
Social development and arts and culture	<b>5 438</b>	5 647	<b>5 438</b>	5 647
Sporting bodies	<b>2 229</b>	544	<b>2 229</b>	544
Wesgro	<b>10 000</b>	5 354	<b>10 000</b>	–
Khayelitsha Community Trust	–	–	–	–
<b>TOTAL</b>	<b>103 502</b>	93 393	<b>103 492</b>	93 382

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 37. GENERAL EXPENSES

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Chemicals	99 450	91 898	99 450	91 898
Communication and publication	31 821	28 515	28 743	26 255
Computer services and software	30 629	22 632	25 508	19 174
Consultants	150 960	145 448	147 364	141 440
ESKOM – FBE*	93 874	71 025	93 563	70 981
Fuel	191 191	144 049	190 792	143 758
Furniture and fittings	36	15	36	15
Hire charges	147 652	119 064	147 134	118 739
Legal fees	35 260	36 294	34 698	35 941
Levy: Skills development	48 398	43 499	48 398	43 499
Licences and permits	70 303	70 869	70 303	70 869
Materials and consumables	290 487	298 897	273 402	279 307
CIDs	–	–	86 823	78 967
Minor tools and equipment	51 175	50 291	51 172	50 283
Pharmaceutical supplies	71 874	75 441	71 874	75 441
Postage and courier	26 599	25 993	26 572	25 973
Printing and stationery	62 049	57 496	61 545	56 958
Rental	57 806	64 085	56 561	62 849
Inventory: Scrapping	5 402	1 243	5 402	1 243
Security services	316 400	276 722	311 703	272 550
Sewerage services – disposals external	47 450	35 209	47 450	35 209
Telecommunications	115 442	115 859	113 985	114 246
Training	70 109	53 728	69 676	52 179
Insurance: Claims	26 659	26 611	26 659	26 611
Insurance: Underwriting	25 557	26 217	25 557	26 217
Indigent relief	369 226	338 696	369 226	338 696
Contributions, transfers and other	641 748	521 762	614 536	494 885
	<b>3 077 557</b>	<b>2 741 558</b>	<b>3 098 132</b>	<b>2 754 183</b>
Expenditure recharged to capital projects	(2 397)	(3 253)	(2 397)	(3 253)
<b>TOTAL</b>	<b>3 075 160</b>	<b>2 738 305</b>	<b>3 095 735</b>	<b>2 750 930</b>

### 38. TAXATION

#### Deferred taxation

##### CTICC

Deferred income taxes are calculated on all temporary differences under the balance sheet method, using a tax rate of 28% (2011: 28%).

At the beginning of the year

8 318 9 240

Temporary differences

(1 403) (922)

At the end of the year

6 915 8 318

##### CIDs

At the beginning of the year

35 –

Reverse temporary differences on finance lease obligations

(9) 35

At the end of the year

26 35

#### The balance comprises

Capital allowance (non-deductible temporary differences)

6 915 8 318

Reverse temporary differences on finance lease obligations

26 35

Total

6 941 8 353

#### Statement of financial performance charge

Taxation

Current year: CTICC

4 113 6 426

CIDs

(9) 29

4 104 6 455

\* Payment to ESKOM to subsidise the FBE portion supplied by ESKOM to residences in the municipal area of the City of Cape Town.

### 39. CASH GENERATED FROM OPERATIONS

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Surplus for the year	2 521 841	1 832 538	2 507 284	1 824 465
Adjustment for:	2 584 447	2 503 151	2 566 316	2 475 011
Depreciation	1 394 834	1 283 682	1 372 096	1 262 100
Contributed assets	(76 435)	–	(76 127)	–
Impairment	27 392	25 958	27 392	9 866
Gains and losses on disposal of assets	(42 397)	(16 909)	(42 420)	(17 051)
Contribution to provisions	815 325	498 789	814 730	498 688
Contribution to impairment provision	352 544	523 050	350 873	526 003
Finance income	(569 982)	(530 589)	(561 761)	(522 070)
Finance costs	683 166	719 170	681 533	717 475
<b>Operating surplus before working capital changes</b>	<b>5 106 288</b>	<b>4 335 689</b>	<b>5 073 600</b>	<b>4 299 476</b>
(Increase) in inventories	(17 751)	(37 076)	(17 759)	(38 169)
(Increase) in receivables	(639 430)	(843 276)	(637 980)	(845 591)
(Increase)/decrease in other receivables	(96 125)	118 515	(96 840)	116 942
Increase in unspent conditional grants and receipts	557 072	60 240	557 072	60 240
Increase in payables	443 316	271 703	461 236	259 030
Increase in net VAT	388	6 207	388	6 207
<b>Cash generated from operations</b>	<b>5 353 758</b>	<b>3 912 002</b>	<b>5 339 717</b>	<b>3 858 135</b>
<b>40. CASH AND CASH EQUIVALENTS</b>				
Balance at the end of the year	3 481 533	3 304 129	3 327 832	3 151 257
Balance at the beginning of the year	3 304 129	4 653 456	3 151 257	4 511 179
<b>Net increase/(decrease) in cash and cash equivalents – see note 11</b>	<b>177 404</b>	<b>(1 349 327)</b>	<b>176 575</b>	<b>(1 359 922)</b>
<b>41. RECONCILIATION OF UTILISATION OF LONG-TERM BORROWINGS</b>				
Borrowings raised – see appendix A	431	335	–	–
EFF-earmarked capital expenditure	(3 801 138)	(2 700 480)	(3 801 138)	(2 700 480)
2010/11 and prior years	(2 700 480)	(1 720 913)	(2 700 480)	(1 720 913)
Current year	(1 100 658)	(979 567)	(1 100 658)	(979 567)
Total EFF (overdrawn)	(3 800 707)	(2 700 145)	(3 801 138)	(2 700 480)
Cash set aside for the repayment of borrowings – see notes 6 and 12	641 651	476 998	641 651	476 998
<b>Cash overdrawn</b>	<b>(3 159 056)</b>	<b>(2 223 147)</b>	<b>(3 159 487)</b>	<b>(2 223 482)</b>

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## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

#### 42. BUDGET INFORMATION

##### 42.1 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 abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the expected capital expenditure, and the reprioritising of capital projects, with corresponding changes to funding sources.

##### 42.2 Explanation of variances greater than 5%: Final budget and actual amounts

###### 42.2.1 Statement of financial position

- i) Current assets  
The cash available was much higher than anticipated due to underspending of capital and operating expenditure, as well as higher-than-expected payables.
- ii) Current liabilities  
The actual payables were higher than the budgeted figures due to much higher capital spend in June 2012 than what was budgeted for.

###### 42.2.2 Statement of financial performance

###### *Revenue*

- i) Rental of letting stock and facilities  
The variance is the result of improved processes relating to rental of property and facilities.
- ii) Finance income  
Interest earned on the continuous favourable cash/investment balance during the year.
- iii) Licences and permits  
The variance is the result of an increased number of licences and permits issued and an improvement in administrative processes relating to the issue of licences and permits.
- iv) Agency services  
The variance is the result of an increase in the number of transactions processed on behalf of Provincial Government.
- v) Other income  
The variance is the result of a refund on water levies paid in the previous financial year and a VAT refund on IRT-related transactions, as agreed with SARS.
- vi) Gains on disposal of property, plant and equipment  
The variance is due to difficulties in planning the finalisation date of various property sales and transactions that are still in progress.
- vii) Fines  
The variance is the result of fines reviewed by traffic courts and the number of fines issued by the respective departments.
- viii) Government grants and subsidies  
Spending on these projects was influenced by a number of factors, such as delays in the implementation of various projects, community dynamics, change in contract scope, contract award objection processes, environmental issues, delays in delivery of materials/goods and contractor performance, thus resulting in underspending for the year. Various projects will be completed in the 2012/13 financial year, and the funding will be rolled over in the August 2012 adjustments budget.
- ix) Public contributions  
The variance is mainly due to slower-than-expected property development as a result of the economic downturn, which has led to less development levies collected.

###### *Expenditure*

- i) Remuneration of councillors  
The variance is due to less-than-anticipated transport claims submitted by councillors, and the impact of the Member of the Executive Council's revised implementation date for the conversion of the section 79 committee chairpersons to full-time councillors.
- ii) Impairment costs  
The variance is due to lower-than-anticipated debt impairment, mainly on rates and electricity services, resulting from an improved actual collection ratio achieved and maintained during the year, and the impact of the energy savings campaign.
- iii) Finance costs  
The variance is mainly due to the provision made for a long-term external loan that has not been taken up, as the City had maintained a favourable cash position throughout the financial year.



### 42.2.3 Cash flow statement

- i) Net cash from operating activities  
Mainly due to the cash paid to suppliers and employees being lower than expected due to an underspending on operating expenditure and higher-than-expected payables at year-end.
- ii) Net cash from investing activities  
Investments increased rather than decreased as expected due to an underspending on capital and operating expenditure. Another contributing factor is the higher-than-expected payables at year-end, as more expenditure had been deferred to the 2012/13 financial year than anticipated.
- iii) Net cash from financing activities  
Mainly due to a higher-than-expected increase in the consumer deposits.

### 42.2.4 Capital expenditure

- i) City Manager  
Underexpenditure as a result of the contingency provisions, which are only utilised for the replacement of assets as and when insurance claims are settled.
- ii) Deputy City Manager  
Due to project delays, which are caused by poor-performing contractors who fail to meet project deadlines. Due to the adjustment made to the specifications of the contract, further approval from Treasury and SCM was required, which resulted in a temporary suspension in operations. Also due to contingency provisions, which are only utilised for the replacement of assets as and when insurance claims are settled.
- iii) Economic, Environmental and Spatial Planning  
Underexpenditure as a result of the delay in signing contracts with relevant stakeholders on certain projects, and appeals against tenders, awarded for certain projects.
- iv) Social Development and Early Childhood Development  
Underexpenditure on capital projects was caused by cash flow problems experienced by contractors, delays experienced in land transfers, and community interference in the implementation of certain projects.
- v) Tourism, Events and Marketing  
The variance in expenditure was primarily caused by delays in the commencement of projects due to environmental and legal requirements; factors beyond the control of the Department, such as bad weather; the prolonged adjudication of tenders, and the extension of contract periods.
- vi) Transport, Roads and Stormwater  
Underexpenditure is mainly as a result of slower implementation of the IRT inner-city bus stop infrastructure and other IRT contracts, due to frequent design changes being required as a result of the presence of existing services where these had not been indicated on service plans; community disruptions and delays on some housing-related projects; delivery of fewer IRT buses than had been programmed by the end of June 2012, and delays in the appeal authority's resolution of section 62 appeals against the awards of some major road contracts.
- vii) Human Settlements  
Expenditure variations on the variety of integrated human settlements developments undertaken by the City of Cape Town were due to, inter alia, matters associated with comprehensive community engagement that took longer than anticipated, unseasonal weather, project planning approvals, and the like. Beneficial savings on land acquisitions also resulted in a level of underspend against this budget item.
- viii) Water and wastewater management  
As a result of departmental constraints, such as lack of adequate staff to supervise projects, delays were experienced in completing certain projects. Inefficiencies from other departments within the City also led to the delay in the commencement of projects, such as the approval of tenders by SCM and the time taken by the Legal Department to resolve appeals against tenders awarded. Other reasons for the variances include underperformance of contractors and supply constraints; environmental impact analyses and obtaining way leaves; bad weather experienced during the year, which led to project backlogs, and better cost management techniques, which resulted in cost savings on projects completed.
- ix) Subsidiaries  
The capital expenditure projects were 92% completed or in progress as at year-end. The variances relate mainly to savings on completed projects and projects in progress as at year-end.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 43. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES

		Economic Entity		Municipality	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
<b>43.1 Irregular expenditure</b>					
Opening balance		<b>187 164</b>	102 496	<b>187 164</b>	101 106
Irregular expenditure – SCM regulations (see incidents below)		<b>17 625</b>	96 020	<b>14 915</b>	86 058
Ratified by Accounting Officer and noted by Council		<b>(79 511)</b>	–	<b>(79 511)</b>	–
Ratified by the board of directors		<b>(2 710)</b>	(11 352)	–	–
<b>Closing balance</b>		<b>122 568</b>	187 164	<b>122 568</b>	187 164
The City Manager has subsequent to the year-end ratified additional prior-year breaches to the value of R98,36 million, which will reduce the closing balance to R24,21 million.					
<b>Incidents</b>					
• Deviation from SCM regulations due to nature of business		<b>2 710</b>	9 962	–	–
• Proper tender procedures not followed due to oversight		<b>214</b>	–	<b>214</b>	–
• SCM policy on declarations of interest for quotations below R200 000 not fully adhered to in respect of suppliers found to be in the employ of the state		<b>325</b>	9 166	<b>325</b>	9 166
• SCM policy on declarations of interest for quotations below R200 000 not fully adhered to in respect of goods only		<b>1 786</b>	36 772	<b>1 786</b>	36 772
• Declaration of interest of suppliers in the employ of the state overlooked		<b>12 446</b>	210	<b>12 446</b>	210
• Business conducted with two staff members (2011 – business conducted with a councillor due to an overlap of election processes, and with 11 staff due to omission of detail in their declarations)		<b>90</b>	1 275	<b>90</b>	1 275
• Business conducted with a supplier of whom a City staff member is a non-executive director overlooked		<b>54</b>	–	<b>54</b>	–
• One instance of a supplier prohibition and another of a legitimate company with a prohibited shareholder not detected		–	5 272	–	5 272
• 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	–	33 363
<b>Incidents for the year</b>		<b>17 625</b>	<b>96 020</b>	<b>14 915</b>	<b>86 058</b>
<b>43.2 Fruitless and wasteful expenditure</b>					
Opening balance		<b>986</b>	431	<b>431</b>	431
Fruitless expenditure current year (see incidents below)		–	731	–	–
Amount recovered		<b>(267)</b>	(176)	–	–
Certified as irrecoverable by Council		<b>(431)</b>	–	<b>(431)</b>	–
<b>Closing balance</b>		<b>288</b>	986	–	431
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>				
Misappropriation of funds	Reported to SAPS	–	322		
Fraudulent supplier payment	Reported to SAPS	–	409		
<b>Incidents for the year</b>		–	731		

**43. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES (continued)**

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>43.3 Material losses</b>				
Water losses	<b>76 965</b>	90 050	<b>76 965</b>	90 050

**Water losses**

In the current year, the reticulation losses were 8,6% (2011: 10,7%). These losses are predominantly due to metering inefficiencies, which constitutes an apparent loss. A major reduction has been achieved since the previous financial year by addressing metering inconsistencies. The material losses disclosed in 2011 have been restated, due to the Entity's incorrect interpretation of section 125 of the MFMA regarding the losses to be disclosed. Only losses of a non-technical nature should be disclosed, and not losses that are by nature regarded as normal production losses. Such production losses amounting to R93,97 million (2011: R109,73 million) are quantified and factored into the tariffs. The comparative amount of R90,05 million has been restated from R506,54 million.

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Electricity losses	<b>225 049</b>	101 529	<b>225 049</b>	101 529

**Electricity losses**

In the current year the energy losses were 10,75% (2011: 8,85%). These losses are the result of theft and vandalism. The material losses disclosed in 2011 have been restated due to the Entity's incorrect interpretation of section 125 of the MFMA regarding the losses to be disclosed. Only losses of a non-technical nature should be disclosed, and not losses that are by nature regarded as normal production losses. Such production losses amounting to R352,74 million (2011: R280,36 million) are quantified and factored into the tariffs. The comparative amount of R101,53 million has been restated from R689,27 million.

**44. COMMITMENTS**

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>44.1 Capital commitments</b>				
Commitments in respect of capital expenditure				
Approved and contracted for:				
Infrastructure	<b>1 418 983</b>	1 203 958	<b>1 418 983</b>	1 203 958
Community	<b>21 302</b>	166 267	<b>21 302</b>	166 267
Other	<b>587 050</b>	8 990	<b>587 050</b>	8 990
<b>TOTAL</b>	<b>2 027 335</b>	1 379 215	<b>2 027 335</b>	1 379 215

The 2011 comparative amount of R1,379 billion has been restated from R898,53 million due to the basis of determination being changed from one year in value after year-end to the full commitment in value.

**44.2 Operating lease commitments****The Entity as lessee**

Future minimum lease payments under non-cancellable operating leases

**Land and buildings**

Payable within one year  
Payable within two to five years

<b>68 442</b>	57 055	<b>68 279</b>	56 420
<b>25 785</b>	45 031	<b>25 622</b>	44 559
<b>42 657</b>	12 024	<b>42 657</b>	11 861

**Vehicles and other equipment**

Payable within one year  
Payable within two to five years  
Payable after five years

<b>56</b>	439	<b>56</b>	439
<b>56</b>	116	<b>56</b>	116
<b>—</b>	254	<b>—</b>	254
<b>—</b>	69	<b>—</b>	69
<b>68 498</b>	57 494	<b>68 335</b>	56 859

Minimum lease payments recognised as an expense during the period amount to R44,68 million (2011: R62,63 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.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 44. COMMITMENTS (continued)

	Economic Entity		Municipality	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
<b>The Entity as lessor</b>				
Future minimum lease income under non-cancellable operating leases				
Receivable within one year	17 204	17 833	18 898	19 495
Receivable within two to five years	62 138	59 327	68 912	66 101
Receivable after five years	241 871	249 486	299 877	309 609
<b>Buildings</b>	<b>321 213</b>	<b>326 646</b>	<b>387 687</b>	<b>395 205</b>

The Entity lets properties under operating leases. Property rental income earned during the year was R19,87 million (2011: R25,84 million). The properties are maintained by the tenants, at their cost. No investment properties have been disposed of since the date of the statement of financial performance.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase of R1,13 million in current-year income.

The 2011 comparative amount of R326,65 million has been restated from R408,82 million, due to leases being incorrectly scheduled as monthly instead of annually.

### 45. ADDITIONAL DISCLOSURES

#### 45.1 Municipal Finance Management Act

##### 45.1.1 Section 89

##### CTICC

The upper limits of salary levels applicable for the period, as determined by the parent municipality in terms of section 89(a) of the MFMA, has been exceeded for two senior officials. The board has taken the decision to exceed the upper limits for retention purposes and has taken the necessary steps to remedy the situation.

##### 45.1.2 Section 124

##### Disclosures concerning councillors, directors and officials

As at **30 June 2012** no councillors were in arrears for rates and services.

During the reporting period the following councillors, as listed below, were in arrears for more than 90 days.

FL Abrahams	TT Honono	JJ Maxheke	TA Uys – Bloemhof Guesthouse
Y Adams	VR Isaacs	HK Morkel – Carthen Investment (Pty) Ltd	M Weavers
A Gabuza	LV James	AX Ndongeni	GL Zondani
T Gqada	L Maci	N Ndzulwana	
EN Hinana	CJ Mack	M Nikelo	

	Total R	Out- standing <90 days R	Out- standing >90 days R
<b>As at 30 June 2011</b>			
FC Christians	6 526	580	5 946
EN Hinana	15 357	11 239	4 118
CW Ipser	10 749	6 502	4 247
LD Jordaan	5 721	–	5 721
L Maci	1 859	95	1 764
HK Morkel – Carthen Investment (Pty) Ltd	47 040	–	47 040
N Ndzulwana	4 020	333	3 687
NC Nyakatya	1 614	975	639
T Sakathi	1 964	782	1 182
M Weavers	4 379	1 102	3 277
GL Zondani	2 808	2 335	473
<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>
FL Abrahams	9 841	700	9 141
A Gabuza	7 239	811	6 428
T Gqada	20 612	–	20 612
VR Isaacs	43 678	17 226	26 452
LV James	17 807	1 495	16 312
CJ Mack	11 021	8 438	2 583
JJ Maxheke	14 880	944	13 936
AX 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>

**45. ADDITIONAL DISCLOSURES (continued)**

45.1.3 Included in the debtors' arrears is an amount of R1,80 million, outstanding for more than 120 days, owed by the representative political parties to the Entity.

**45.1.4 Section 125*****Late submission of prescribed report***

The report on the state of the City's budget to the Mayor was not submitted within 10 working days after the end of each month as required in terms of section 71 of the MFMA.

	<b>SALGA contri- butions R'000</b>	<b>Audit fees R'000</b>	<b>PAYE and UIF R'000</b>	<b>Pension and medical aid R'000</b>
<b>Other compulsory disclosures</b>				
<b>As at 30 June 2012</b>				
Opening balance	7 170	481	60 419	141 774
Subscriptions/fees	9 500	17 655	804 472	1 815 186
Amount paid – current year	(9 500)	(17 392)	(741 929)	(1 659 881)
Amount paid – previous years	(7 170)	(481)	(60 419)	(141 774)
<b>Balance unpaid (included in payables)</b>	<b>–</b>	<b>263</b>	<b>62 543</b>	<b>155 305</b>
<b>As at 30 June 2011</b>				
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>
	<b>Economic Entity 2012 R'000</b>	<b>2011 R'000</b>	<b>Municipality 2012 R'000</b>	<b>2011 R'000</b>
<b>45.2 Supply chain management regulations – Municipality</b>				
<b>45.2.1 Deviations</b>				
In terms of section 36 of the municipal SCM regulations, any deviation from SCM 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.				
<b>Incidents</b>				
Appointment of consultants	72 543	41 068	72 543	41 068
Information technology upgrade	18 131	7 402	18 131	7 402
Upgrade of electricity services	–	3 344	–	3 344
Extension of contract	289 845	518 289	289 845	518 289
Upgrade of road infrastructure	10 588	32 402	10 588	32 402
Supply and delivery of plant and equipment	11 092	59 430	11 092	59 430
Other	39 660	155 078	39 660	155 078
Deviations less than R200 000	333 615	290 999	333 615	290 999
<b>Total amount approved by the City Manager and noted by Council</b>	<b>775 474</b>	<b>1 108 012</b>	<b>775 474</b>	<b>1 108 012</b>
All deviations considered by the City Manager are processed in terms of the SCM regulation and the SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements, availability from only one provider, art historic objects, circumstances where it is impractical or impossible to follow the official procedure, or correction of minor technical breaches.				
<b>45.2.2 Ratification of SCM breaches</b>				
• The calling for declarations of interest in respect of quotations below R200 000 was only fully implemented by December 2011. In addition, the non-calling could have given rise to the possibility that the City may have traded with 'employees in service of the state'	41 593	–	41 593	–
• 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	182 167	–	182 167	–
• CTICC minor breaches of procurement processes	9 440	10 682	–	–
<b>Total amount approved by the City Manager and noted by Council</b>	<b>233 200</b>	<b>10 682</b>	<b>223 760</b>	<b>–</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 45. ADDITIONAL DISCLOSURES (continued)

#### 45.2.3 Bids awarded to family of employees in service of the state

In terms of the SCM regulations, any award above R2 000 to family members of employees in the service of the state must be disclosed in the annual financial statements. The following is a list as recorded on the declaration-of-interest form.

Connected person	Position held in state	Economic Entity		Municipality	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
J Adams	Secretary	130	152	130	152
T Appolis	Operator: Mechanical Plant Gr 2	49	–	49	–
J Arendse	Handyman	363	167	363	167
MF Baloyi	Worker	–	8	–	8
P Booysen	Clerk	1 115	1 115	1 115	1 115
B Brooks	Area Manager	44	–	44	–
G Buitendag	Principal Professional Officer	3 160	–	3 160	–
A Cedras	Senior Superintendent	1 058	1 317	1 058	1 317
A Charles	Functional Operational Manager	–	31	–	31
C Connor	Head: COID	238	–	238	–
H da Costa	Professional Officer	23	–	23	–
L Daniels	Senior Foreman	979	–	979	–
SS Daries	Senior Superintendent	4	51	4	51
CB Davids	Administrative Officer	44	–	44	–
R Davids	SCM Assistant Buyer	459	250	459	250
J du Toit	SCM Assistant Buyer	251	222	251	222
B Francis	Administrative Officer	1	7	1	7
N Goniwe	Water Pollution Control Inspector	279	417	279	417
T Hartogh	Superintendent	–	12	–	12
PM Hattingh	Administrative Officer	924	–	924	–
G Hector	Superintendent	–	4	–	4
J Hintenaus	Environmental Health Officer	–	4	–	4
N Hoosain	Clerk	823	566	823	566
A Hoppie	Clerk	–	3	–	3
D Isaacs	Clerk	8	42	8	42
E Ishmail	Manager: Valuations Data/System	5 364	–	5 364	–
L January	Head: Area	116	27	116	27
MS Jacobs	Clerk	1 163	–	1 163	–
KM Johns	Clerk	55	–	55	–
B Jones	Clerk	272	–	272	–
A Jonkers	Senior Foreman	–	40	–	40
MF Khan	Clerk	232	180	232	180
W Kloppers	Senior Health Practitioner	–	3	–	3
G Koning	Enrolled Nurse	18	52	18	52
X Mama	Head: Area Manager	449	–	449	–
J Manuel	Traffic Officer	13	7	13	7
J Maputsi	Learner/Snr Fire fighter	753	1 587	753	1 587
SS Merile	Operator: Small Plant	663	1 071	663	1 071
D Michaels	Administrative Officer	–	15	–	15
K Modack	Specialist Clerk	83	–	83	–
MC Mshweshwe	Statutory Compliance Specialist	344	53	344	53
V Mwahla	Head: Area	–	6	–	6
M Pardenwachter	Professional Officer	45	–	45	–
J Pienaar	Senior Professional Officer	–	2	–	2
R Platen	Special Workman	4	5	4	5
C Rhoda	Clerk	10 607	7 222	10 607	7 222
MN Sammy	Administrative Officer	104	68	104	68
LM Scholtz	Secretary	1 177	–	1 177	–
PA Singama	Administrative Officer	–	15	–	15
QG Sipoyo	Risk and Safety Adviser	858	350	858	350
N Sisulu-Singaphi	Director: Spousal Support Office	2 560	–	–	–
P Smith	Administrative Officer	66	–	66	–
P Sonyabashe	Worker	538	172	538	172
R Swanson	Courier	63	117	63	117
L Swartz	Clerk	–	58	–	58
I Taliep	Clerk	–	236	–	236
M Thorpe	SCM Assistant Buyer	376	366	376	366
W Timotheus	Operational Supervisor/Driver	4	13	4	13
F Trom	Worker	11	5	11	5
M Valentine	Snr Operational Supervisor/Driver	–	65	–	65
C van der Vendt	Senior Worker	343	379	343	379
E Vermeulen	Assistant Librarian (part-time)	–	64	–	64
MF Votersen	Head: Finance, Parks	1 248	1 148	1 248	1 148
J Williams	Clerk	2	127	2	127
<b>Total</b>		<b>37 483</b>	<b>17 821</b>	<b>34 923</b>	<b>17 821</b>

## 46. 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, the Risk Management Committee's reports are presented 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 items in the statement of financial position:

	Amortised cost R'000	Fair value R'000	Total carrying amount R'000	Fair value R'000
<b>Financial assets</b>				
<b>2012</b>				
Investments	111 529	2 883 350	2 994 879	3 036 118
Long-term receivables	119 086	–	119 086	119 086
Receivables	3 977 942	–	3 977 942	3 977 942
Other receivables	311 114	–	311 114	311 114
Cash and cash equivalents	1 769 483	1 712 050	3 481 533	3 481 533
	<b>6 289 154</b>	<b>4 595 400</b>	<b>10 884 554</b>	<b>10 925 793</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
Receivables	3 706 347	–	3 706 347	3 706 347
Other receivables	203 049	–	203 049	203 049
Cash and cash equivalents	1 762 393	1 541 736	3 304 129	3 304 129
	<b>5 968 279</b>	<b>3 638 038</b>	<b>9 606 317</b>	<b>9 627 565</b>
	Amortised cost R'000	Fair value R'000	Total carrying amount R'000	Fair value R'000
<b>Financial liabilities</b>				
<b>2012</b>				
Borrowings	5 489 134	–	5 489 134	6 295 331
Payables	2 999 014	–	2 999 014	2 999 014
	<b>8 488 148</b>	<b>–</b>	<b>8 488 148</b>	<b>9 294 345</b>
<b>2011</b>				
Borrowings	5 668 294	–	5 668 294	6 260 971
Payables	2 570 332	–	2 570 332	2 570 332
	<b>8 238 626</b>	<b>–</b>	<b>8 238 626</b>	<b>8 831 303</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 46. FINANCIAL RISK MANAGEMENT (continued)

#### 46.1 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 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>2012</b>				
Investments	1 844 250	1 039 100	–	2 883 350
Cash and cash equivalents	–	1 712 050	–	1 712 050
	<b>1 844 250</b>	<b>2 751 150</b>	<b>–</b>	<b>4 595 400</b>
<b>2011</b>				
Investments	1 832 242	264 060	–	2 096 302
Cash and cash equivalents	–	1 541 736	–	1 541 736
	<b>1 832 242</b>	<b>1 805 796</b>	<b>–</b>	<b>3 638 038</b>

#### 46.2 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, 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	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Investments – see note 6	2 994 879	2 258 073	2 994 879	2 258 073
Loans receivable – see note 7	119 086	134 719	119 086	134 719
Receivables and other receivables – see notes 9 and 10	4 289 056	3 909 396	4 284 708	3 903 240
Cash and cash equivalents – see note 11	3 481 533	3 304 129	3 327 832	3 151 257
<b>Total</b>	<b>10 884 554</b>	<b>9 606 317</b>	<b>10 726 505</b>	<b>9 447 289</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.

## 46. FINANCIAL RISK MANAGEMENT (continued)

### Receivables

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 receivables. The outstanding amounts of the 10 largest debtors represent 0,8% (2011: 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 the due date. The Entity has provided fully for all receivables outstanding over 365 days. 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 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 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.

## 46.3 Liquidity risk

Liquidity risk is the risk of the Entity not being 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 94,93% (2011: 93,88%) of receivable (own billed) income is realised within 30 days after the due date, and payables are settled within 30 days of invoice. National and provincial grant funding is received in terms of the Division of Revenue Act.

The following are contractual liabilities of which interest is included in borrowings:

	Up to 1 year R'000	1 – 5 years R'000	>5 years R'000	Total R'000
<b>2012</b>				
<b>Liabilities</b>				
Borrowings	<b>914 575</b>	<b>3 039 590</b>	<b>8 078 652</b>	<b>12 032 817</b>
Capital repayments	<b>296 142</b>	<b>715 469</b>	<b>4 477 523</b>	<b>5 489 134</b>
Interest	<b>618 433</b>	<b>2 324 121</b>	<b>3 601 129</b>	<b>6 543 683</b>
Payables	<b>2 999 014</b>	–	–	<b>2 999 014</b>
Payables	<b>2 599 475</b>	–	–	<b>2 599 475</b>
Sundry creditors	<b>399 539</b>	–	–	<b>399 539</b>
	<b>3 913 589</b>	<b>3 039 590</b>	<b>8 078 652</b>	<b>15 031 831</b>

## 46.4 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 requirements, including capital expenditure, to ensure that the Entity remains financially sound.

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 in net debt are interest-bearing loans and borrowings, payables, less investments.

## 46.5 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.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 46. FINANCIAL RISK MANAGEMENT (continued)

#### Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the Entity's income or the value of its financial instrument 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 2012 are as follows:

	Weighted interest rate %	Maturity of interest-bearing assets/liabilities			
		1 year or less R'000	1 – 5 years R'000	>5 years R'000	Total R'000
<b>Financial assets</b>					
Investments	6,70	2 883 387	121 108	–	3 004 495
Cash and cash equivalents	6,06	3 320 663	–	–	3 320 663
<b>Total financial assets</b>		<b>6 204 050</b>	<b>121 108</b>	<b>–</b>	<b>6 325 158</b>
<b>Financial liabilities</b>					
Borrowings	11,528	296 142	715 469	4 477 523	5 489 134
<b>Total financial liabilities</b>		<b>296 142</b>	<b>715 469</b>	<b>4 477 523</b>	<b>5 489 134</b>

#### Interest rate sensitivity analysis

##### Financial assets

At 30 June 2012, 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 R65,14 million with the opposite effect if the interest rate had been 100 basis points lower.

##### Financial liabilities

At 30 June 2012, 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 (R5 579), with the opposite effect if the interest rate had been 100 basis points lower.

### 47. PRIOR-YEAR ADJUSTMENTS

#### 47.1 Changes in accounting policy

In anticipation of the implementation of GRAP 23, the City amended its accounting policies to bring them in line with the accounting standards that had not yet become effective. This resulted in the unspent conditional grant being recognised due to the grants being conditional, with no repayment terms.

#### 47.2 Correction of errors

Funds received in 2012 that related to 2011 financial year

The omission of a reversal of a bank adjustment in 2011

Correction of the staff leave provision calculation

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	Change in accounting policy R'000	Correction of errors R'000	Restated R'000
<b>2011</b>					
<b>Statement of financial position</b>					
Other receivables	10	203 612	–	471	204 083
Provisions	15	770 144	–	7 240	777 384
Unspent conditional grants and receipts	17	1 207 732	(95 518)	(3 534)	1 108 680
Accumulated surplus	21	14 376 480	95 518	(3 235)	14 468 763
<b>Statement of financial performance</b>					
<b>Exchange revenue</b>					
Other income	26	253 435	–	471	253 906
<b>Non-exchange revenue</b>					
Government grants and subsidies	28	2 558 851	77 618	–	2 636 469
Public contributions	29	61 820	17 900	–	79 720
Total revenue		<b>20 524 610</b>	<b>95 518</b>	<b>471</b>	<b>20 620 599</b>
Employee-related costs	30	6 160 448	–	24 125	6 184 573
General expenses	37	2 758 724	–	(20 419)	2 738 305
Total expenditure		<b>18 784 355</b>	<b>–</b>	<b>3 706</b>	<b>18 788 061</b>
Surplus for the year		<b>1 740 255</b>	<b>95 518</b>	<b>(3 235)</b>	<b>1 832 538</b>



## 47. PRIOR-YEAR ADJUSTMENTS (continued)

### 47.3 Changes in accounting estimates

The estimate for prepaid electricity payments received in advance has been revised due to new information being available and experience gained by management. Due to the revised estimate the accrual decreased with R67,23 million.

The annual review of the useful lives of assets resulted in a decrease of R4,04 million (2011: R17,20 million) in the depreciation charge to the statement of financial performance.

## 48. RETIREMENT BENEFIT INFORMATION

The Entity 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, 1956 (Act No. 24 of 1956) and include both defined-benefit (DB) and defined-contribution (DC) schemes. Contributions of R654,29 million (2011: R595,91 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.

### 48.1 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 position as at 30 June 2011. The valuation indicates a break-even actuarial result, and is 98% funded at the financial year-end. The City of Cape Town is 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 R35,58 million (2011: 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 98% funded as at 1 July 2011, and had remained stable since the previous valuation date.

### 48.2 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's 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 position as at 30 June 2011. The valuation disclosed funding of 104%.

#### 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 2011.

#### 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 fund was certified by the actuary as being in a sound financial position as at 30 June 2010.

#### 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 (Convenco) Provident Fund

The Convenco 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.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 48. RETIREMENT BENEFIT INFORMATION (continued)

#### 48.3 Defined-benefit and defined-contribution scheme

##### Cape Municipal Pension Fund

The Cape Municipal Pension Fund operates as a DB and DC scheme. The actuarial valuation of the fund was performed at 30 June 2011, 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	9 474	322	9 152
Pensioners	5 196	4 014	1 182
Membership as at 30 June 2011	14 670	4 336	10 334

	2012 R'million	2011 R'million
Past-service position – DB section	3 574	3 420
Past-service position – DC section	5 822	5 001
Total liabilities	9 396	8 421
Assets valued at market value	9 408	8 550
Actuarial surplus	12	–

	2012 %	2011 %
<b>Key financial assumptions</b>		
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	0,50
Post-retirement	2,50	2,50
Normal retirement age	60 years	60 years

#### 48.4 Post-employment defined benefits

##### 48.4.1 Health-care arrangement assumptions

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 2012 constituted 10 966 (2011: 10 884) in-service members and 6 480 (2011: 6 469) pensioners.

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 2012 has been discounted at a rate determined on the basis of the yield of 7,99% (2011: 8,69%) per annum on government bonds.

## 48. RETIREMENT BENEFIT INFORMATION (continued)

### 48.4.2 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 2012 was 30 (2011: 44) in-service employees and 125 (2011: 135) 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 Entity as at 30 June 2012 has been discounted at a 7,34% (2011: 8,36%) per-annum rate determined on the basis of the market yields on government bonds.

	Post-retirement scheme defined-benefit obligations					
	2012	Retire-	Total	2011	Retire-	Total
	Health care	ment pension		Health care	ment pension	
	R'000	R'000	R'000	R'000	R'000	R'000
Present value of unfunded liability	3 566 435	17 004	3 583 439	2 905 696	14 921	2 920 617
Unrecognised actuarial gains	–	–	–	77 197	2 876	80 073
Net liability in statement of financial position	3 566 435	17 004	3 583 439	2 982 893	17 797	3 000 690
Service costs	79 194	651	79 845	50 846	428	51 274
Interest costs	254 270	1 536	255 806	243 681	1 401	245 082
Actuarial losses/(gains) recognised	376 394	(1 475)	374 919	302 782	2 360	305 142
Total included in statement of financial performance	709 858	712	710 570	597 309	4 189	601 498
Balance at the beginning of the year	2 982 893	17 797	3 000 690	2 500 154	15 215	2 515 369
Net expense recognised in statement of financial performance	709 858	712	710 570	597 309	4 189	601 498
Contributions paid	(126 316)	(1 505)	(127 821)	(114 570)	(1 607)	(116 177)
Net liability in statement of financial position	3 566 435	17 004	3 583 439	2 982 893	17 797	3 000 690

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							
	Change in assumption	Liability R'000	% change	Service cost R'000	Interest cost R'000	Total costs R'000	% change
<b>Post-retirement medical aid</b>							
Assumptions used		3 566 435		79 194	254 270	333 464	
	+1%						
Health-care inflation	increase	4 160 231	17	96 622	296 475	393 097	18
	-1%						
Post-retirement mortality	decrease	3 085 317	(13)	65 501	220 002	285 503	(14)
	-1 year						
Average retirement age	reduction	3 702 760	4	81 708	263 729	345 437	4
	-1%						
Withdrawal rate	decrease	3 645 318	2	82 745	263 697	346 442	4
	-50%	3 698 233	4	85 222	264 309	349 531	5
				2012		2011	
				Health care	Retire-	Health care	Retire-
				%	ment pension	%	ment pension
					%		%
<b>Key financial assumptions</b>							
Discount rate				7,9	7,3	8,7	8,4
General inflation rate (CPI)				5,4	5,2	5,7	5,6
General salary inflation rate				–	6,2	–	6,6
Health-care cost inflation rate				7,2	–	7,4	–
Net effective discount rate				0,8	–	1,2	–
Pension increase rate – pensioners				–	–	–	–
Net effective discount rate – pensioners				–	–	–	–

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 49. GUARANTEES AND CONTINGENT LIABILITIES

#### 49.1 Guarantees

The Entity issued the following guarantee:

- A bank guarantee of R823 446 (2011: R823 446) as security for the lease of property.

#### 49.2 Other contingent liabilities

##### Contractual disputes

Various contractual claims by contractors/suppliers and staff are currently in dispute, and are subject to mediation. The potential extent of the liability cannot be determined, since it is subject to litigation, but a provisional estimate based on management assessment is R285,52 million (2011: R401,34 million). A potential liability exists in the form of a disputed amount of R240,04 million regarding Cape Town Stadium. R200,04 million is in respect of professional fees for the construction of Cape Town Stadium, and the balance of R40 million for litigation 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 R105,80 million (2011: R86,37 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.

### 50. RELATED-PARTY DISCLOSURES

#### 50.1 Municipal entities and special areas

During the year, in the ordinary course of business, transactions between the City of Cape Town 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.

	<b>Economic Entity</b>		<b>Municipality</b>	
	<b>2012 R'000</b>	2011 R'000	<b>2012 R'000</b>	2011 R'000
<b>CTICC (Convenco)</b>				
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 of Cape Town amounted to R1,31 million (2011: R2,77 million).				
Percentage owned			<b>50,18%</b>	50,18%
Arm's-length transactions for the year				
Receivables			<b>1 314</b>	2 766
Service charges			<b>17 738</b>	15 997
CTICC has outsourced the management of its operating division in terms of a contract dated June 2001 to Amsterdam RAI.				
Arm's-length transactions for the year				
Fixed management fees	<b>1 043</b>	973		
Basic management fees	—	—		
Incentive fee	—	—		
<b>CIDs</b>				
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.				
Percentage owned			<b>Special rating areas</b>	
Arm's-length transactions for the year				
Receivables			—	(2)
Service charges			<b>24</b>	22
Levies			<b>86 823</b>	78 967

## 50. RELATED-PARTY DISCLOSURES (continued)

	Economic Entity		Municipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
<b>CMTF</b>				
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 of Cape Town to CMTF amounted to R69,75 million (2011: R76,49 million).				
Percentage owned			<b>Administrator</b>	
Arm's-length transactions for the year				
Funds held on behalf of CMTF	<b>69 746</b>	76 488	<b>69 746</b>	76 488
Grants and transfers received	<b>30 049</b>	32 824	<b>30 049</b>	32 824
Interest paid	<b>4 354</b>	5 055	<b>4 354</b>	5 055
Revenue collected	<b>4 814</b>	4 080	<b>4 814</b>	4 080
<b>Epping CID</b>				
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	<b>830</b>	784		–
<b>KCT</b>				
The KCT ceased to be a municipal entity as from 1 July 2011, when the City of Cape Town relinquished effective control over the entity. The trust was established to uplift the Khayelitsha community through the development of the central business district and other community facilities. At 2011 the amount owing by the KCT to the City of Cape Town was R1,22 million.				
Percentage owned			<b>Trust</b>	<b>Trust</b>
Arm's-length transactions for the year:				
Receivables		1 104		1 104
Grants		5 401		5 401
<b>Municipality</b>				
No members of management have significant influence over the financial or operating policies of the above entities.				
<b>Executive management</b>				
No business transactions took place between the City of Cape Town and key management personnel and their close family members during the year under review, other than with a company of which one of the City's key management members is a non-executive director. The related expenditure has been classified as irregular (refer note 43.1).				



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 50. RELATED-PARTY DISCLOSURES (continued)

#### 50.2 Remuneration of management

Mayoral Committee members

	Analysis of remuneration benefits			
	Total R'000	Annual salary R'000	Car allowance R'000	Social contri- bution R'000
<b>2012</b>				
Executive Mayor				
Alderman P de Lille	1 050	893	157	–
Executive Deputy Mayor/Finance				
Alderman ID Neilson	829	628	112	89
Safety and Security Services				
Alderman JP Smith	778	606	106	66
Corporate Services				
Alderman DL Qually	778	606	106	66
Economic, Environmental and Spatial Planning				
Alderman VB Walker	778	606	106	66
Social Development and Early Childhood Development				
Councillor BA Cortje-Alcock	779	590	106	83
Health				
Councillor LV James	779	673	106	–
Community Services				
Councillor T Gqada	779	673	106	–
Transport, Roads and Stormwater				
Councillor BN Herron	779	673	106	–
Tourism, Events and Marketing				
Councillor GI Pascoe	778	606	106	66
Utility Services				
Councillor S Sims	778	673	105	–
Housing				
Councillor EJ Sonnenberg	778	590	105	83
	<b>9 663</b>	<b>7 817</b>	<b>1 327</b>	<b>519</b>

**50. RELATED-PARTY DISCLOSURES (continued)**

	Analysis of remuneration benefits			
	Total R'000	Annual salary R'000	Car allowance R'000	Social contri- bution R'000
<b>2011</b>				
Executive Mayor				
Alderman D Plato (until 20/05/2011)	887	587	210	90
Alderman P de Lille (with effect from 01/06/2011)	83	63	20	–
Executive Deputy Mayor/Finance				
Alderman ID Neilson	765	502	179	84
Safety and Security Services				
Alderman JP Smith	719	490	169	60
Corporate Services and Human Resources				
Alderman VB Walker (until 20/05/2011)	657	449	154	54
Alderman DL Qually (with effect from 01/06/2011)	62	47	15	–
Economic, Environmental and Spatial Planning				
Alderman VB Walker (appointed 01/06/2011)	61	41	15	5
Social Development and Early Childhood Development				
Councillor BA Cortje-Alcock	62	47	15	–
Health				
Councillor DL Ximbi (until 05/05/2011)	622	411	145	66
Councillor LV James (with effect from 01/06/2011)	62	47	15	–
Community Services				
Councillor BN Herron (until 20/05/2011)	657	505	152	–
Councillor T Gqada (with effect from 01/06/2011)	62	47	15	–
Transport, Roads and Stormwater				
Councillor EL Thompson (until 20/05/2011)	655	448	155	52
Councillor BN Herron (with effect from 01/06/2011)	62	47	15	–
Tourism, Events and Marketing				
Councillor GI Pascoe (with effect from 01/06/2011)	61	41	15	5
Utility Services				
Councillor CR Justus (until 20/05/2011)	658	432	157	69
Councillor S Sims (with effect from 01/06/2011)	62	47	15	–
Housing				
Councillor S Sims (until 20/05/2011)	657	503	154	–
Councillor EJ Sonnenberg (with effect from 01/06/2011)	62	47	15	–
Planning and Environment				
Councillor MJ Nieuwoudt (until 20/05/2011)	657	449	154	54
Economic Development and Tourism				
Councillor F Purchase (until 20/05/2011)	658	432	157	69
	8 231	5 682	1 941	608

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

### 50. RELATED-PARTY DISCLOSURES (continued)

#### Executive management

	Analysis of remuneration benefits						
	Total R'000	Annual salary R'000	Perform- ance bonus	Car allowance R'000	Social contri- bution R'000	Travel and sub- sistence R'000	Re- location allow- ance R'000
<b>2012</b>							
City Manager							
A Ebrahim	1 914	1 532	138	–	242	2	–
Deputy City Manager							
M Marsden (appointed 01/01/2012)	1 035	789	138	–	108	–	–
Community Services							
L Mtwazi	1 508	1 140	112	84	172	–	–
Corporate Services							
DP Beretti (contract ended 31/12/2011)	1 140	843	184	30	83	–	–
L Mbandazayo (acting 01/01/2012 until 31/01/2012)	92	78	–	4	10	–	–
F Habib (appointed 01/02/2012)	307	234	–	–	–	–	73
Economic, Environmental and Spatial Planning							
M Mohammed (contract ended 31/10/2011)	386	310	–	24	52	–	–
C Walters (acting 01/11/2011 until 31/01/2012)	341	237	58	13	33	–	–
J Hugo (appointed 01/02/2012)	611	598	–	–	13	–	–
Finance							
MJ Richardson (contract ended 31/12/2011)	891	611	124	59	97	–	–
J Steyl (acting 01/01/2012 until 29/02/2012)	188	143	–	22	22	1	–
K Jacoby (appointed 01/03/2012)	564	369	–	54	66	–	75
Health							
Dr IK Bromfield	1 405	912	177	133	183	–	–
Integrated Human Settlement Services							
JA Smit (contracted ended 31/12/2011)	951	752	110	–	89	–	–
S Maqetuka (acting 01/01/2012 until 30/06/2012)	725	640	–	–	85	–	–
Safety and Security							
R Bosman	1 447	1 090	104	95	158	–	–
Social Development and Early Childhood Development							
NB Biko (appointed 03/01/2012 until 30/06/2012)	683	682	–	–	1	–	–
Tourism, Events and Marketing							
A Groenewald (appointed 01/02/2012)	611	610	–	–	1	–	–
Transport, Roads and Stormwater							
MG Marsden (contract ended 31/12/2011)	735	636	–	–	99	–	–
M Whitehead (appointed 16/01/2012)	753	677	–	–	1	–	75
Utility Services							
L Dhlamini	1 409	1 134	52	42	176	5	–
CTICC							
R Toefy	1 501	1 322	179	–	–	–	–
	19 197	15 339	1 376	560	1 691	8	223

## 50. RELATED-PARTY DISCLOSURES continued

### Analysis of remuneration benefits

	Total R'000	Annual salary R'000	Perform- ance bonus R'000	Car allow- ance R'000	Social contri- bution R'000	Travel and subsist- ence R'000	Re- location allow- ance R'000
<b>2011</b>							
City Manager							
A Ebrahim	1 940	1 334	375	–	217	14	–
Community Development							
LM Mtwazi	1 563	1 024	305	84	150	–	–
Corporate Services							
DP Beretti	1 597	1 069	298	60	159	11	–
Economic and Social Development							
M Mohamed	1 407	930	235	72	155	15	–
Finance							
MJ Richardson	1 550	957	305	117	171	–	–
Health							
Dr IK Bromfield	1 429	851	282	133	163	–	–
Integrated Human Settlement Services							
JA Smit	1 517	1 051	298	–	168	–	–
Safety and Security							
RG Bosman	1 313	931	149	95	138	–	–
Strategy and Planning							
PS van Zyl (resigned 31/10/2010)	803	489	298	16	–	–	–
Transport, Roads and Stormwater							
MG Marsden	1 728	1 197	339	–	189	3	–
Utility Services							
LT Dhlamini (with effect from 13/12/2010)	1 634	1 164	264	47	159	–	–
CTICC							
R Toefy	1 314	1 167	147	–	–	–	–
	17 795	12 164	3 295	624	1 669	43	–

The comparative figure of the previous year has been restated, due to the inadvertent inclusion of the remuneration of the Internal Audit Executive who does not meet the criteria as defined in the accounting standards for disclosure. The 2011 amount of R17,79 million has been restated from R19,23 million.

## 51. EVENTS AFTER REPORTING DATE

The Entity is currently finalising a loan agreement with the AFD. In this regard Council approved the raising of an amount of 200 million euros, denominated in rand, for the funding of its 2011/12–2014 capital programme.





The City is responsible for meeting the basic water and sanitation needs of Capetonians, maintaining infrastructure, limiting negative environmental impact, managing water scarcity, maintaining service standards and ensuring economic growth.



# APPENDIX A: SCHEDULE OF EXTERNAL LOANS

AS AT 30 JUNE 2012

	Effective interest rate (nacs) %	Loan ID	Redeemable date	Balance as at 30 June 2011 R'000	Received 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 2012 R'000
<b>LOCAL REGISTERED STOCK</b>									
ABSA Nominees	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	2 065 505	-	-	-	-	2 065 505
Municipal Bond Transaction costs	-	-	-	(3 633)	-	-	-	(283)	(3 350)
<b>Total local registered stock</b>				<b>4 278 903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(283)</b>	<b>4 279 186</b>
<b>CONCESSIONARY LOANS</b>									
Nedcor Bank	1,000	8300000920	2019	14	-	-	2	-	16
DBSA	5,000	830012028	2020	30 343	-	-	1 033	4 000	27 376
<b>Total concessionary loans</b>				<b>30 357</b>	<b>-</b>	<b>-</b>	<b>1 035</b>	<b>4 000</b>	<b>27 392</b>
<b>OTHER LOANS</b>									
FirstRand Bank	12,920	8300000880	2013	41 643	-	-	-	21 018	20 625
DBSA	12,250	83001051	2015	103 910	-	5 574	-	12 989	96 495
FirstRand Bank	12,631	830003504	2017	183 268	-	-	-	6 939	176 329
ABSA Bank	10,900	830007011	2018	140 000	-	-	-	20 000	120 000
DBSA	10,590	83001050	2018	237 413	-	11 667	-	16 958	232 122
FirstRand Bank	12,046	830009531	2018	176 746	-	7 045	-	20 000	163 791
DBSA	9,420	830012035	2020	84 000	-	-	-	9 333	74 667
DBSA	9,639	830013000	2022	153 334	-	-	-	13 334	140 000
DBSA	10,565	830013507	2022	153 334	-	-	-	13 334	140 000
<b>Total other loans</b>				<b>1 273 648</b>	<b>-</b>	<b>24 286</b>	<b>-</b>	<b>133 905</b>	<b>1 164 029</b>
<b>FINANCE LEASES</b>									
Investec	14,343	8300000870	2011	4 284	-	-	-	4 284	-
Nedbank	14,540	8300000860	2012	61 997	-	(4 514)	-	57 483	-
<b>Total finance leases</b>				<b>66 281</b>	<b>-</b>	<b>(4 514)</b>	<b>-</b>	<b>61 767</b>	<b>-</b>
<b>Total Municipality of Cape Town</b>				<b>5 649 189</b>	<b>-</b>	<b>19 772</b>	<b>1 035</b>	<b>199 389</b>	<b>5 470 607</b>
<b>OTHER LOANS – Controlled entities</b>									
CID Claremont Road Co.: DBSA	-	-	2023	18 621	-	-	-	915	17 706
CID Zwaanswyk: Loans from members	9,000	-	2014	-	431	-	-	-	431
CID Epping: Standard Bank Pty	9,500	-	2014	484	-	-	-	94	390
<b>Total controlled entities</b>				<b>19 105</b>	<b>431</b>	<b>-</b>	<b>-</b>	<b>1 009</b>	<b>18 527</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>5 668 294</b>	<b>431</b>	<b>19 772</b>	<b>1 035</b>	<b>200 398</b>	<b>5 489 134</b>

## APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND OTHER AS AT 30 JUNE 2012 – ECONOMIC ENTITY

	Opening balance R'000	Transfers/ Adjustments R'000	Cost Additions <sup>1</sup> R'000	Disposals R'000	Closing balance R'000
<b>LAND AND BUILDINGS</b>					
Land	658 068	255 319	37 096	–	950 483
Buildings and land	3 148 637	(1 276 353)	36 500	(213)	1 908 571
	<b>3 806 705</b>	<b>(1 021 034)</b>	<b>73 596</b>	<b>(213)</b>	<b>2 859 054</b>
<b>INFRASTRUCTURE</b>					
Assets under construction	2 059 794	(1 344 351)	1 766 974	–	2 482 417
Drains	567 616	84 324	22 087	–	674 027
Roads	5 076 132	580 741	157 617	–	5 814 490
Beach improvements	36 262	2 552	–	–	38 814
Sewerage mains and purification	2 133 226	255 369	111 056	–	2 499 651
Electricity peak-load equipment and mains	4 609 778	286 579	525 262	–	5 421 619
Water mains and purification	2 123 009	170 182	62 326	–	2 355 517
Reservoirs – water	444 883	3 008	234	–	448 125
	<b>17 050 700</b>	<b>38 404</b>	<b>2 645 556</b>	<b>–</b>	<b>19 734 660</b>
<b>COMMUNITY ASSETS</b>					
Assets under construction	148 923	(93 565)	150 735	–	206 093
Parks and gardens	48 530	90 772	594	–	139 896
Libraries	197 009	4 204	232	–	201 445
Recreation facilities	4 414 197	649 898	17 797	–	5 081 892
Civic buildings	1 049 336	463 128	63 556	–	1 576 020
	<b>5 857 995</b>	<b>1 114 437</b>	<b>232 914</b>	<b>–</b>	<b>7 205 346</b>
<b>LEASED ASSETS</b>					
Infrastructure and other	234 370	(234 370)	–	–	–
	<b>234 370</b>	<b>(234 370)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>OTHER ASSETS</b>					
Land and buildings	–	18	–	–	18
Assets under construction	547 247	(357 066)	449 951	–	640 132
Landfill sites	559 785	57 938	–	–	617 723
Furniture, fittings and equipment	495 542	4 825	77 456	(9 316)	568 507
Bins and containers	51 230	814	3 870	(175)	55 739
Emergency equipment	34 901	82	1 112	(116)	35 979
Motor vehicles and watercraft	1 157 905	52 274	226 237	(18 314)	1 418 102
Specialised vehicles	690 953	19 549	192 011	(11 882)	890 631
Computer equipment	997 451	54 848	135 215	(31 322)	1 156 192
Animals	242	–	40	(14)	268
	<b>4 535 256</b>	<b>(166 718)</b>	<b>1 085 892</b>	<b>(71 139)</b>	<b>5 383 291</b>
<b>HOUSING RENTAL STOCK</b>	<b>1 165 874</b>	<b>227 101</b>	<b>152 690</b>	<b>(2 874)</b>	<b>1 542 791</b>
<b>TOTAL PPE (See note 1)</b>	<b>32 650 900</b>	<b>(42 180)</b>	<b>4 190 648</b>	<b>(74 226)</b>	<b>36 725 142</b>
<b>HERITAGE ASSETS (See note 2)</b>					
Assets under construction	3 552	(268)	350	–	3 634
Paintings and art galleries	8 362	750	–	(4)	9 108
	<b>11 914</b>	<b>482</b>	<b>350</b>	<b>(4)</b>	<b>12 742</b>
<b>INVESTMENT PROPERTIES (See note 3)</b>	<b>130 612</b>	<b>–</b>	<b>109 132</b>	<b>–</b>	<b>239 744</b>
<b>INTANGIBLE ASSETS (See note 4)</b>	<b>326 977</b>	<b>41 888</b>	<b>29 403</b>	<b>–</b>	<b>398 268</b>
<b>ASSETS CLASSIFIED AS HELD FOR SALE (See note 5)</b>	<b>403</b>	<b>(190)</b>	<b>–</b>	<b>(169)</b>	<b>44</b>
<b>TOTAL OTHER</b>	<b>469 906</b>	<b>42 180</b>	<b>138 885</b>	<b>(173)</b>	<b>650 798</b>
<b>GRAND TOTAL</b>	<b>33 120 806</b>	<b>–</b>	<b>4 329 533</b>	<b>(74 399)</b>	<b>37 375 940</b>

1. Includes the contributed assets amount of R76,43 million.

Opening balance R'000	Transfers/ Adjustments R'000	Accumulated depreciation			Closing balance R'000	Carrying value R'000
		Impairment R'000	Additions R'000	Disposals R'000		
(233 955)	(65 126)	(20 327)	–	–	(319 408)	631 075
(1 523 529)	737 638	–	(81 381)	165	(867 107)	1 041 464
<b>(1 757 484)</b>	<b>672 512</b>	<b>(20 327)</b>	<b>(81 381)</b>	<b>165</b>	<b>(1 186 515)</b>	<b>1 672 539</b>
–	–	–	–	–	–	2 482 417
(219 297)	(16 621)	–	(18 973)	–	(254 891)	419 136
(1 682 662)	(56 025)	–	(146 359)	–	(1 885 046)	3 929 444
(18 679)	(829)	–	(736)	–	(20 244)	18 570
(616 748)	16	–	(112 889)	–	(729 621)	1 770 030
(1 635 439)	(168 571)	(234)	(211 365)	–	(2 015 609)	3 406 010
(1 021 534)	(230)	–	(81 949)	–	(1 103 713)	1 251 804
(277 933)	(144)	–	(18 520)	–	(296 597)	151 528
<b>(5 472 292)</b>	<b>(242 404)</b>	<b>(234)</b>	<b>(590 791)</b>	<b>–</b>	<b>(6 305 721)</b>	<b>13 428 939</b>
–	–	–	–	–	–	206 093
(5 655)	(7 857)	–	(1 877)	–	(15 389)	124 507
(54 450)	(3 239)	–	(3 250)	–	(60 939)	140 506
(339 347)	(256 712)	–	(180 632)	–	(776 691)	4 305 201
(386 173)	(255 360)	–	(34 749)	–	(676 282)	899 738
<b>(785 625)</b>	<b>(523 168)</b>	<b>–</b>	<b>(220 508)</b>	<b>–</b>	<b>(1 529 301)</b>	<b>5 676 045</b>
<b>(168 778)</b>	<b>168 778</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>(168 778)</b>	<b>168 778</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
–	(6)	–	(6)	–	(12)	6
(16 091)	–	–	–	–	(16 091)	624 041
(256 155)	(46)	–	(51 339)	–	(307 540)	310 183
(269 330)	(70)	–	(60 140)	8 738	(320 802)	247 705
(32 931)	–	–	(5 726)	175	(38 482)	17 257
(24 794)	3	–	(4 139)	75	(28 855)	7 124
(648 843)	(10 468)	–	(155 773)	17 437	(797 647)	620 455
(330 312)	(9 394)	(6 831)	(53 591)	11 614	(388 514)	502 117
(674 161)	17	–	(126 523)	30 302	(770 365)	385 827
(56)	–	–	(39)	1	(94)	174
(2 252 673)	(19 964)	(6 831)	(457 276)	68 342	(2 668 402)	2 714 889
<b>(554 328)</b>	<b>(55 229)</b>	<b>–</b>	<b>(28 207)</b>	<b>2 147</b>	<b>(635 617)</b>	<b>907 174</b>
(10 991 180)	525	(27 392)	(1 378 163)	70 654	(12 325 556)	24 399 586
–	–	–	–	–	–	3 634
–	–	–	–	–	–	9 108
–	–	–	–	–	–	<b>12 742</b>
<b>(45 613)</b>	–	–	(1 653)	–	<b>(47 266)</b>	<b>192 478</b>
<b>(282 093)</b>	(725)	–	(15 018)	–	<b>(297 836)</b>	<b>100 432</b>
<b>(277)</b>	200	–	–	76	<b>(1)</b>	<b>43</b>
<b>(327 983)</b>	<b>(525)</b>	<b>–</b>	<b>(16 671)</b>	<b>76</b>	<b>(345 103)</b>	<b>305 695</b>
<b>(11 319 163)</b>	<b>–</b>	<b>(27 392)</b>	<b>(1 394 834)</b>	<b>70 730</b>	<b>(12 670 659)</b>	<b>24 705 281</b>

## APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

### FOR THE YEAR ENDED 30 JUNE 2012

2011				BUSINESS UNITS	2012			
Actual income Restated <sup>1</sup> R'000	Actual expenditure Restated <sup>1</sup> R'000	Actual surplus/ (deficit) R'000	Budgeted surplus/ (deficit) R'000		Actual income R'000	Actual expenditure R'000	Actual surplus/ (deficit) R'000	Budgeted surplus/ (deficit) R'000
11 648 598	10 441 351	1 207 247	1 009 770	<b>Rates and general</b>	<b>13 274 160</b>	<b>11 495 521</b>	<b>1 778 639</b>	<b>1 474 777</b>
321 260	740 357	(419 097)	(444 051)	City Health	366 835	821 685	(454 850)	(489 631)
5	14 607	(14 602)	(17 498)	City Manager	9	11 218	(11 209)	(17 070)
130 822	1 542 440	(1 411 618)	(1 420 574)	Community Services	153 216	1 700 941	(1 547 725)	(1 552 899)
30 957	485 524	(454 567)	(269 006)	Corporate Services	120 754	598 720	(477 966)	(218 717)
24 245	53 860	(29 615)	(44 046)	Deputy City Manager	10 497	87 126	(76 629)	(63 913)
84 354	561 616	(477 262)	(463 102)	Economic, Environmental and Spatial Planning	80 539	585 705	(505 166)	(529 213)
1 577 837	1 084 627	493 210	595 407	Finance	1 806 555	1 022 120	784 435	431 807
7 695 912	1 655 516	6 040 396	5 575 284	Rates and Other	8 195 135	1 768 718	6 426 417	6 281 716
236 883	1 509 275	(1 272 392)	(1 378 008)	Safety and Security Services	229 213	1 718 699	(1 489 486)	(1 530 737)
104	44 598	(44 494)	(51 601)	Social Development and Early Childhood Development	2 178	79 832	(77 654)	(97 305)
164 397	548 798	(384 401)	(518 373)	Tourism, Events and Marketing	23 202	453 001	(429 799)	(528 473)
668 822	1 374 190	(705 368)	(455 742)	Transport, Roads and Stormwater	1 323 038	1 679 918	(356 880)	(237 711)
713 000	825 943	(112 943)	(98 920)	Human Settlements	962 989	967 838	(4 849)	26 923
13 717 179	13 099 961	617 218	773 487	<b>Utility services</b>	<b>15 645 876</b>	<b>14 917 231</b>	<b>728 645</b>	<b>744 519</b>
1 814 050	1 704 152	109 898	51 992	Waste Management	1 947 658	1 797 834	149 824	71 108
1 514 272	1 487 398	26 874	118 267	Wastewater Management	1 850 384	1 709 727	140 657	166 735
2 856 893	2 988 824	(131 931)	(3 719)	Water	3 040 375	3 015 976	24 399	(16 138)
7 531 964	6 919 587	612 377	606 947	Electricity	8 807 459	8 393 694	413 765	522 814
238 910	230 837	8 073	7 195	<b>Subsidiaries</b>	<b>240 978</b>	<b>226 421</b>	<b>14 557</b>	<b>2 871</b>
155 163	151 064	4 099	7 195	Cape Town International Convention Centre (Pty) Ltd	148 847	138 058	10 789	2 347
83 747	79 773	3 974	–	City Improvement Districts	92 131	88 363	3 768	524
25 604 687	23 772 149	1 832 538	1 790 452	Subtotal	29 161 014	26 639 173	2 521 841	2 222 167
4 984 088	4 984 088	–	–	Interdepartmental charges	5 337 826	5 337 826	–	–
20 620 599	18 788 061	1 832 538	1 790 452	<b>TOTAL BEFORE TAXATION</b>	<b>23 823 188</b>	<b>21 301 347</b>	<b>2 521 841</b>	<b>2 222 167</b>

1. See note 47 for more detail.

# APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA

## National and Provincial grant funds 2011/2012

Description	Source	Balance at the beginning of the year R'000	Current-year receipts R'000	Adjustments R'000	Transferred to revenue Operating R'000	Capital R'000	Interest earned R'000	Amounts to be claimed R'000	Balance at the end of the year R'000
<b>National Government</b>									
2010 FIFA World Cup: Green Point	Sport and Recreation	(7 550)	–	–	–	1 157	(376)	–	(6 769)
Accreditation: Development Support	State Housing	(3 095)	–	–	772	576	–	–	(1 747)
Budget Reform Funds	National Treasury	(416)	(1 250)	–	1 187	90	–	–	(389)
Department of Environmental Affairs and Tourism: DANIDA	Environmental Affairs	(3 537)	–	3 552	1	–	(16)	–	–
Department of Environmental Affairs and Tourism	Environmental Affairs	(22)	(270)	–	193	–	–	–	(99)
Department of Environmental Affairs and Tourism: Carbon Offset Programme	Environmental Affairs	(297)	–	298	–	–	(1)	–	–
DME – INEP	Energy	939	(4 386)	–	–	3 551	–	(104)	–
Energy Efficiency Electricity Demand-side Management	National Treasury	(1 524)	(35 087)	–	995	28 962	–	–	(6 654)
Expanded Public Works Incentive Grant	National Treasury	–	(9 279)	–	–	–	–	–	(9 279)
Health and Hygiene Education: Informal Settlements	Water	(58)	–	–	47	–	–	–	(11)
Implementation Water Demand	Water	(7 261)	–	–	7 070	295	–	(104)	–
LGSETA: Environmental Internship Programme	Environmental Affairs	(254)	–	–	237	–	–	–	(17)
Municipal Infrastructure Grants	National Treasury	(63 547)	–	63 547	–	–	–	–	–
Neighborhood Development Programme	National Treasury	(52 038)	(74 200)	–	1 200	88 990	(3 427)	–	(39 475)
Park-and-Ride	National Treasury	–	–	(824)	–	824	–	–	–
Public Transport and Infrastructure	Transport	(426 721)	(1 608 300)	824	87 809	842 212	(86 246)	–	(1 190 422)
Restructuring Grant – Seed Funding	National Treasury	(9 938)	–	–	2 244	961	–	–	(6 733)
Smart Living Handbook	Water	(66)	–	–	–	–	(4)	–	(70)
Telecommunications Equipment Cape Town Stadium	National Treasury	–	(69 089)	–	–	69 089	–	–	–



## APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA

### National and Provincial grant funds 2011/2012

Description	Source	Balance at the beginning of the year R'000	Current-year receipts R'000	Adjustments R'000	Operating R'000	Transferred to revenue Capital R'000	Interest earned R'000	Amounts to be claimed R'000	Balance at the end of the year R'000
Urban Renewal	National Treasury	(73 664)	-	-	7 952	20 026	-	-	(45 686)
Urban Settlement Development Grant	National Treasury	-	(824 030)	-	23 244	729 919	-	-	(70 867)
Water Demand-side	Water	(984)	-	-	287	-	-	-	(697)
<b>Total National Government transfers and grants</b>		(650 033)	(2 625 891)	67 397	133 238	1 786 652	(90 070)	(208)	(1 378 915)
ABET Adult Education	Education	(8)	(9)	-	-	8	-	-	(9)
Accreditation Assistance	Human Settlements	(10 085)	(10 000)	-	1 094	-	(696)	-	(19 687)
Athlone Stadium General Upgrading	Transport and Public Works	(1 742)	-	-	-	-	-	-	(1 742)
Atlantis – Wesfleur Ext. 13	Human Settlements	(323)	-	-	-	-	-	-	(323)
Atlantis Thusong Multi-purpose Centre	Cultural Affairs and Sport	-	(500)	-	322	-	-	-	(178)
Bardale High Mast Lighting Project	Human Settlements	(471)	-	-	-	-	-	-	(471)
Belhar Pentech	Human Settlements	(132)	-	132	-	-	-	-	-
Bokmakierie/Hazendal Infill 3	Human Settlements	(2 681)	-	-	-	-	-	-	(2 681)
Bonteheuwel Multi-purpose Centre	Cultural Affairs and Sport	(766)	-	766	-	-	-	-	-
Brown's Farm Phase 3,4,5,6	Human Settlements	(11 630)	-	-	-	66	-	-	(11 564)
CBH Wallacedene Phase 1,3,4,5,6	Human Settlements	(9 713)	(815)	-	5 621	-	(304)	-	(5 211)

Description	Source	Balance at the beginning of the year R'000	Current-year receipts R'000	Adjustments R'000	Transferred to revenue Operating R'000	Capital R'000	Interest earned	Amounts to be claimed R'000	Balance at the end of the year R'000
CBO Freedom Park	Human Settlements	(71)	-	-	-	-	-	-	(71)
Chemical Toilets in Wallacedene	Human Settlements	(24)	-	-	-	-	(1)	-	(25)
Chris Hani Park Housing Project	Human Settlements	(274)	-	-	-	-	-	-	(274)
Clinics: HIV/Aids and TB Programmes	Health	(13)	-	-	-	-	-	-	(13)
Coastal Zone Development Guidelines Framework	Environmental Affairs and Development Planning	(57)	-	58	-	-	(1)	-	-
Community Residential Units	Human Settlements	(109 658)	(150 729)	-	1 062	305 967	-	(61 657)	(15 015)
Delft South High-density Housing	Human Settlements	(104)	-	-	-	-	-	-	(104)
Delft Sportfield Development	Human Settlements	(20)	-	-	-	-	-	-	(20)
Delft Symphony Way Tra	Human Settlements	(5 302)	-	-	1 932	-	-	-	(3 370)
Delft: The Hague	Human Settlements	(4)	-	4	-	-	-	-	-
Dial-a-Ride	Transport and Public Works	(8 698)	(10 000)	-	8 600	-	(325)	-	(10 423)
Disaster Fund – Fire/Flood Kits	Human Settlements	-	(6 230)	5 340	6 313	-	-	(5 423)	-
Driftsands UISP	Human Settlements	(260)	-	260	-	-	-	-	-
Du Noon Phase 1,3: Transfers	Human Settlements	(286)	(13)	-	-	-	-	-	(299)
E Business Project	Treasury	(1 712)	-	-	-	-	(95)	-	(1 807)
Echo Road Housing Project	Human Settlements	(34)	-	-	30	-	-	-	(4)
Edward Road Energy Efficient Project	Human Settlements	(2 439)	-	-	33	-	(134)	-	(2 540)
EHP Nyanga, Du Noon and Atlantis	Human Settlements	(137)	-	-	197	-	-	(60)	-
EHP Repair and Reconstruct 8 Houses	Human Settlements	(44)	-	-	-	-	-	-	(44)
Enkanini Housing Project	Human Settlements	(3 305)	-	-	-	-	-	-	(3 305)
Establishment Grants	Human Settlements	(1 417)	(1 318)	-	838	-	(102)	-	(1 999)
Facilitation Grants	Human Settlements	(184)	(126)	-	48	-	(13)	-	(275)
False Bay Ecology	Economic Development and Tourism	-	(1 000)	-	-	-	(21)	-	(1 021)
Fire Detection Surveillance Cameras	Human Settlements	(65)	-	-	-	-	(4)	-	(69)
Gabriel Square Restitution	Human Settlements	(37)	-	-	-	-	-	-	(37)
Global Fund	Health	(2 397)	-	-	-	-	(133)	-	(2 530)

## APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA

Description	Source	Balance at the beginning of the year R'000	Current-year receipts R'000	Adjustments R'000	Transferred to revenue		Interest earned	Amounts to be claimed R'000	Balance at the end of the year R'000
		R'000	R'000	R'000	Operating R'000	Capital R'000			
Global Fund Anti Retroviral	Health	-	(14 913)	2 487	14 413	300	-	(2 287)	-
Global Fund Community-based Response Project	Health	-	(3 969)	1 211	3 507	-	-	(749)	-
Government Grant Community Development Workers	Human Settlements	(881)	-	-	160	-	(48)	-	(769)
Green Point Phase 21 Housing	Human Settlements	(863)	-	-	-	-	-	-	(863)
Greenland's Housing Project	Human Settlements	(971)	-	-	-	-	-	-	(971)
Gugulethu Seven Memorial	Cultural Affairs and Sport	(42)	-	-	-	-	(2)	-	(44)
Hangberg Housing Project	Human Settlements	(52)	-	-	-	-	-	-	(52)
Hangberg: Appointment of mediator	Human Settlements	-	(483)	206	192	-	-	-	(85)
Happy Valley – Blackheath	Human Settlements	(53 939)	-	53 892	47	-	-	-	-
HCE Manuals (Housing Consumer Education)	Human Settlements	(335)	-	-	7	65	(18)	-	(281)
Heideveld Housing Infill	Human Settlements	-	-	619	-	-	-	(619)	-
HIV/Aids Community-based Response Projects	Health	-	(62 075)	6 596	65 450	-	-	(9 971)	-
Hostels Phase 2 Housing	Human Settlements	(976)	-	(28)	8	-	-	-	(996)
Imizamo Yethu Phase 2 New Services	Human Settlements	(931)	-	-	-	-	-	-	(931)
Informal Settlements	Human Settlements	(585)	(1 000)	12	572	-	-	-	(1 001)
Jakkelsvlei Canal Upgrading	Human Settlements	(10 464)	-	-	-	37	-	-	(10 427)
Kalkfontein Phase 2	Human Settlements	(395)	-	-	-	-	-	-	(395)
Kewtown Infill Development	Human Settlements	(265)	-	-	73	-	-	-	(192)
Khayelitsha Development of Remembrance Square	Economic Development and Tourism	(17)	-	-	-	-	(1)	-	(18)
Khayelitsha Kuyasa Phase 2	Human Settlements	(373)	-	-	-	-	-	-	(373)
Khayelitsha Multi-purpose Centre	Social Development	(787)	-	-	-	-	(44)	-	(831)
Khayelitsha Poverty Reduction Programme	Social Development	(2 521)	-	-	-	-	(140)	-	(2 661)
Khayelitsha Site C Subsidies	Human Settlements	(19 369)	-	-	14 867	-	(582)	-	(5 084)

Description	Source	Balance at the beginning of the year R'000	Current-year receipts R'000	Adjustments R'000	Transferred to revenue Operating R'000	Capital R'000	Interest earned R'000	Amounts to be claimed R'000	Balance at the end of the year R'000
Khayelitsha Stadium Site B	Cultural Affairs and Sport	(106)	-	-	-	-	-	-	(106)
Khayelitsha Vacant Land Study	Environmental Affairs and Development Planning	(250)	-	-	246	-	-	-	(4)
Kuyasa T3V1 Top Structures	Human Settlements	(202)	-	-	-	-	-	-	(202)
Langa Sportsfield Development	Cultural Affairs and Sport	(106)	-	-	-	-	-	-	(106)
Law Enforcement Officers	Cultural Affairs and Sport	-	(755)	-	142	-	-	-	(613)
Local Spatial Plan	Environmental Affairs and Development Planning	(1)	-	-	-	-	-	-	(1)
Luvuyo Clinic Extension	Health	-	(1 148)	194	-	997	-	(44)	(1)
Macassar Treatment Works	Human Settlements	(8 000)	-	-	-	-	-	-	(8 000)
Mamre 55 Houses	Environmental Affairs and Development Planning	-	-	-	2	-	-	(2)	-
Mandela Park Sports Fields: Tennis Facilities	Cultural Affairs and Sport	(42)	-	-	-	-	-	-	(42)
Manenberg Infill/The Downs	Human Settlements	(2)	-	2	-	-	-	-	-
Manenberg Sport Complex Upgrade	Cultural Affairs and Sport	(235)	-	-	-	-	-	-	(235)
Marconi Beam	Human Settlements	(56)	(74)	-	38	-	-	-	(92)
Masiphumelele Tra	Human Settlements	(805)	-	-	-	-	(45)	-	(850)
Masiphumelele Amakhaya Ngoku	Human Settlements	(1 857)	(12 406)	-	1 863	-	(630)	-	(13 030)
Melkbosch Village	Human Settlements	(90)	-	-	-	-	-	-	(90)
Metropolitan Transport Fund	Transport and Public Works	-	-	(30 049)	11 988	18 061	-	-	-
Mfuleni and Strand 12 Houses	Human Settlements	-	-	-	20	-	-	(20)	-
Mfuleni EPH Tra	Human Settlements	(1 779)	-	-	1 561	-	-	-	(218)
Mfuleni Ext. 3	Human Settlements	(157)	-	-	28	-	-	-	(129)
Mfuleni Ext. 4 Housing	Human Settlements	(341)	-	-	9	-	-	-	(332)
Mfuleni Flood Relief Project	Human Settlements	(3 067)	-	-	62	-	-	-	(3 005)

## APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA

Description	Source	Balance at the beginning of the year R'000	Current-year receipts R'000	Adjustments R'000	Transferred to revenue Operating R'000	Capital R'000	Interest earned R'000	Amounts to be claimed R'000	Balance at the end of the year R'000
Mfuleni MLS Top Structure	Human Settlements	(215)	–	–	2	–	–	–	(213)
Mitchells Plain Infill Phase 1	Human Settlements	(3 108)	(1 379)	–	287	–	–	–	(4 200)
Mitchells Plain Youth and Family Development Centre	Social Development	(655)	–	–	–	–	(36)	–	(691)
Mitchells Plain TA2	Human Settlements	(369)	–	–	93	–	–	–	(276)
Morgan Vill3/Western Cape	Human Settlements	(941)	–	–	–	–	(52)	–	(993)
Netreg Housing Project	Human Settlements	(350)	–	–	–	–	–	–	(350)
Nonqubela Ph2/Makhaza	Human Settlements	(515)	–	–	–	350	–	–	(165)
Nutrition Supplement Programme	Health	–	(3 754)	120	4 018	–	–	(384)	–
Nyanga Upgrading Project	Human Settlements	–	(240)	240	–	–	–	–	–
Ocean View/Mountain View	Human Settlements	–	(368)	368	–	–	–	–	–
Ocean View Infill	Human Settlements	(10)	–	10	–	–	–	–	–
Philippi Business Park Planning	Environmental Affairs and Development Planning	(91)	–	93	–	–	(2)	–	–
Philippi East Top Structures	Human Settlements	(3 650)	(7 367)	–	9 488	–	–	–	(1 529)
Philippi Planning for Development	Environmental Affairs and Development Planning	(57)	–	58	–	–	(1)	–	–
Philippi East Market	Agriculture	(531)	–	–	–	–	(30)	–	(561)
Philippi East Phase 5	Human Settlements	(30)	(162)	–	25	51	–	–	(116)
Philippi Park Flooding	Human Settlements	(974)	–	–	–	–	–	–	(974)
Phoenix Top Structures	Human Settlements	–	–	41	–	–	–	(41)	–
Phoenix UJSP	Human Settlements	(142)	–	–	–	–	–	–	(142)
Peoples Housing Project	Human Settlements	(32 262)	(102 092)	25	97 571	–	(3 055)	(4 741)	(44 554)
Phumlani Transfers	Human Settlements	(24)	–	–	–	–	–	–	(24)
Provision of Security Improvements at Rail Park-and-Ride Facilities	Transport and Public Works	(1 211)	–	–	1 057	–	(23)	–	(177)
Public Library Fund	Cultural Affairs and Sport	(3 334)	(21 336)	–	16 335	5 500	(515)	–	(3 350)
Redhill Informal Settlement	Human Settlements	(244)	–	–	–	–	(14)	–	(258)
River Clean and Green Project	Environmental Affairs and Development Planning	(359)	–	–	–	–	(20)	–	(379)
Rondevels Housing Project	Human Settlements	(242)	–	–	94	–	–	–	(148)
SANRAL Emergency Project 1600 Units	Human Settlements	(8 089)	–	–	8 089	–	–	–	–
Social Economic Facilities Programme	Human Settlements	–	(3 655)	1 650	–	5 216	–	(3 860)	(649)
Sercor Park	Human Settlements	(704)	–	–	–	–	–	–	(704)



Description	Source	Balance at the beginning of the year R'000	Current-year receipts R'000	Adjustments R'000	Transferred to revenue Operating R'000	Capital R'000	Interest earned R'000	Amounts to be claimed R'000	Balance at the end of the year R'000
Silvertown Khayelitsha 2000 Structures	Human Settlements	(5 175)	–	–	4 033	–	–	–	(1 142)
Site C Survey and Subdivision	Human Settlements	(1 877)	–	–	1 577	68	–	–	(232)
Somerset West Housing Project	Human Settlements	(3 632)	(16 000)	–	15 468	–	–	–	(4 164)
Spandau Project 384 Houses	Human Settlements	(36)	–	–	–	–	–	–	(36)
Spatial Planning District Plans	Environmental Affairs and Development Planning	(3)	–	3	–	–	–	–	–
Table Mountain Biosphere	Environmental Affairs and Development Planning	(136)	–	–	129	–	–	–	(7)
Tafelsig Area: Silver City	Human Settlements	(202)	–	–	–	–	–	–	(202)
Tambo Square	Human Settlements	(42)	–	–	–	–	–	–	(42)
TB Crisis Plan	Health	(1 209)	(11 893)	–	9 492	–	–	–	(3 610)
Temperance Town	Human Settlements	–	(5 380)	118	5 179	–	–	–	(83)
Upgrade Heinz Park Hall	Cultural Affairs and Sport	(124)	–	–	–	–	–	–	(124)
Urban Renewal: Improvement Stn	Environmental Affairs and Development Planning	(26)	–	–	–	–	–	–	(26)
Vaccines	Health	–	(68 443)	10 725	71 476	–	–	(13 758)	–
Vehicle Impound Facility Maitland	Transport and Public Works	(2 959)	–	–	–	2 869	(134)	–	(224)
Vrygrond	Human Settlements	(32)	(5)	–	2	–	–	–	(35)
Vrygrond (EPH)	Human Settlements	(251)	–	–	25	–	(14)	–	(240)
Wallacedene Phase 3,4,5,6,7,8,9,10	Human Settlements	(17 286)	–	68	973	914	–	(204)	(15 535)
Watgate Phase A	Cultural Affairs and Sport	–	(4 000)	–	–	3 723	(149)	–	(426)
Witsand Housing Project Phase 1,2	Human Settlements	(14 911)	–	14 727	–	–	–	–	(184)
<b>Total Provincial Government transfers and grants</b>		(390 963)	(523 637)	69 948	386 758	344 192	(7 384)	(103 820)	(224 906)
<b>Analysis of grants and subsidies</b>									
Total National Government transfers and grants		(650 033)	(2 625 891)	67 397	133 238	1 786 652	(90 070)	(208)	(1 378 915)
Total Provincial Government transfers and grants		(390 963)	(523 637)	69 948	386 758	344 192	(7 384)	(103 820)	(224 906)
		(1 040 996)	(3 149 528)	137 345	519 996	2 130 844	(97 454)	(104 028)	(1 603 821)



## ANNEXURES











We provide  
7 141 housing  
opportunities,  
including informal  
settlement upgrades

## ANNEXURE A: ANNUAL CORPORATE SCORECARD PERFORMANCE

Indicator	Target 2010/11	Actual performance 2010/11	Annual target 2011/12	Actual 2011/12	Rating
<b>1A.1</b> Capital budget spend	R4 billion	R2,858 billion	R4,561 billion	R4,233 billion	
<b>1A.2</b> Number of EPWP job opportunities created	16 000	13 145	22 000	26 403	
<b>1A.3</b> Percentage of land use applications finalised within statutory timeframes	80%	85%	80%	83%	
<b>1A.4</b> Percentage of building plans approved within statutory timeframes	70%	60%	75%	69,32%	

### 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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Reason for variance	Remedial action
<p><b>SUMMARY OF THE REASONS FOR VARIANCE:</b></p> <p><b>Transport, Roads and Stormwater</b></p> <ol style="list-style-type: none"> <li>1. Contract and design changes due to existing service complications</li> <li>2. Community issues on housing-related projects</li> <li>3. Delivery of fewer IRT buses than expected</li> <li>4. Delay in resolution by the Appeals Authority of section 62 appeals against the awards of some major contract negotiations</li> </ol> <p><b>Water Services</b></p> <ol style="list-style-type: none"> <li>1. Departmental constraints and dependency on other departments for completion of projects – R8,4 million</li> <li>2. Appeals lodged against appointments – R2,1 million</li> <li>3. Underperformance of contractors, and supply constraints – R12,7 million</li> <li>4. Environmental impact assessments and obtaining of way leaves – R5,4 million</li> </ol> <p><b>Tourism, Events and Marketing</b></p> <p>Variance is due to delay in projects at Cape Town Stadium and reconfiguration of common, stemming from contractor underperformance</p> <p><b>Human Settlements</b></p> <ol style="list-style-type: none"> <li>1. Community dynamics delayed construction on the Bardale and Happy Valley projects</li> <li>2. Scottsdene community residential units project approval delayed at Province</li> <li>3. Savings realised on successful land acquisition</li> </ol>	<p>Committed funds to be rolled over to 2012/13 financial year in the adjustments budget in August 2012</p>
<p>Focused efforts as stipulated below resulted in the positive outcome:</p> <ol style="list-style-type: none"> <li>1. Implementation of EPWP policy</li> <li>2. Cascading of EPWP targets to operational level</li> <li>3. Linking budget to the intended job creation projects per directorate and department</li> </ol>	<p>Maintain the momentum</p>
<p>Target exceeded</p>	<p>Maintain the momentum</p>
<p>Cape Flats district underperformed due to numerous resubmissions and recirculation of plans to external departments</p>	<ol style="list-style-type: none"> <li>1. Daily off-schedule monitoring of three-day overdue reporting, and communicate with relevant department to ensure response time is met</li> <li>2. Elevate matter to district line management if matter is not resolved within five days</li> <li>3. Encourage the applicant to discuss comments with relevant department and whether it has been addressed before resubmitting, as the officials are not located in the district office</li> <li>4. Fire and Health departments are generally the most efficient of all, and two plans have created the underperformance against the district and the department</li> </ol>



## ANNEXURE A: ANNUAL CORPORATE SCORECARD PERFORMANCE

Indicator	Target 2010/11	Actual performance 2010/11	Annual target 2011/12	Actual 2011/12	Rating
<b>2A.1</b> Number of outstanding valid applications for sewerage services expressed as a percentage of total number of billings for the service	New to corporate scorecard (CSC)	New to CSC	<1%	0,09%	👍
<b>2A.2</b> Number of sanitation service points (toilets) provided for informal settlement customers	2 000	4 734	2 000	3 354	👍
<b>2A.3</b> Number of outstanding valid applications for water services expressed as a percentage of total number of billings for the service	New to CSC	New to CSC	<1%	0,43%	👍
<b>2A.4</b> Number of water service points (taps) installed for informal settlement customers	200	511	250	277	👍
<b>2A.5</b> Number of outstanding valid applications for electricity services expressed as a percentage of total number of billings for the service	New to CSC	New to CSC	<1%	0,16%	👍
<b>2A.6</b> Number of additional subsidised electricity connections installed	6 105	1 324	3 400	1 050	👎
<b>2A.7</b> Number of outstanding valid applications for refuse collection services expressed as a percentage of total number of billings for the service	New to CSC	New to CSC	<1%	0,01%	👍
<b>2A.8</b> Number of informal settlements receiving a door-to-door refuse collection and area-cleaning service	New to CSC	New to CSC	223	223	👍
<b>2B.1</b> Megalitres of water consumed to meet water demand target	New to CSC	New to CSC	349 633 Mℓ	330 041 Mℓ	👍

### 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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Reason for variance	Remedial action
Efforts have been made to comply with the service standards set out in the service charter.	Maintain the momentum
Target exceeded through the roll-out of various toilet technologies that demand less social and technical planning durations.  The target was set lower than the baseline due to the following reasons: <ul style="list-style-type: none"> <li>• Land availability</li> <li>• Access/densities within settlements</li> </ul>	Maintain the momentum
Efforts have been made to comply with the service standards set out in the service charter.	Maintain the momentum
Effective community engagement allowed for the identification of more space to install water services and eradicate the water servicing backlog.  The target was set lower than the baseline due to the following reasons: <ul style="list-style-type: none"> <li>• Greywater considerations</li> <li>• Land availability</li> <li>• Access/densities within settlements</li> </ul>	Maintain the momentum
Efforts have been made to comply with the service standards set out in the service charter.	Maintain the momentum
Full operational implementation was only possible after the restructuring of the electrification section was concluded in December 2011.  Informal settlement fires have also affected delivery, in that replacement connections are not counted, but only additional connections have been reported.  The target was set substantially higher than the baseline due to the 2011/12 estimated backlog in informal settlements in the Cape Town supply area of 3 444 households. This estimate was used as the basis for target setting.	Restructuring of the business unit is now completed. The necessary changes will now be implemented.
Efforts have been made to comply with the service standards set out in the service charter	Maintain the momentum
Target achieved	Maintain the momentum
Water consumption growth has been constrained through a range of water conservation measures: pipe replacement, pressure management, repair of water leaks, installation of water demand management (WDM) devices and awareness efforts.	Maintain the momentum

## ANNEXURE A: ANNUAL CORPORATE SCORECARD PERFORMANCE







Indicator	Target 2010/11	Actual performance 2010/11	Annual target 2011/12	Actual 2011/12	Rating
<b>2B.2</b> Percentage of waste diverted from Council waste management facilities	9,95%	8,67%	10,95%	12,13%	👍
<b>2B.3</b> Percentage compliance with four critical DWA effluent standards ( <i>E. coli</i> count, ammonia content, oxygen-demanding substances, total suspended solids)	New to CSC	New to CSC	82%	86%	👍
<b>2C.1</b> Amount spent on repairs and maintenance	R1,65 billion	R1,712 billion	R1,837 billion	R1,883 billion	👍
<b>2C.2</b> System Average Interruption Frequency Index (SAIFI)	<1,3	0,54	<1,3	1,24	👍
<b>2C.3</b> Percentage unaccounted-for water losses	26,6%	18,5%	20%	15,3%	👍
<b>2C.4</b> Percentage drinking water compliance to SANS 241	96%	99%	96%	98,6%	👍
<b>3A.1</b> GWh of electricity purchased to meet electricity consumption target	10 587 GWh	10 551 GWh	10 936 GWh	10 420 GWh	👍
<b>4A.1</b> Percentage of capital budget spent on phase 1a of the IRT project	New to CSC	New to CSC	95%	92%	👎
<b>4A.2</b> Percentage spend of the operating budget on road and infrastructure maintenance	New to CSC	New to CSC	95%	118%	👍

### 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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Reason for variance	Remedial action
Waste generated = 2 009 220 tons Waste diverted = 243 818 tons The growth is a result of the introduction of the Kraaifontein integrated waste management facility's materials recovery facility (KIWMF MRF) and dry-waste collection, as well as the increase in the chipping of greens (which is seasonal). Simultaneously, a decrease in the waste disposed at landfill sites was experienced, which could be related to the economy.	Maintain the momentum
Higher percentage compliance with effluent standards was achieved due to a range of measures, including upgrade of wastewater treatment works (WWTWs) and installation of disinfectant facilities. More pollution control officers were granted peace officer status, thereby improving enforcement efforts to avoid pollution.	Maintain the momentum
The City exceeded its budgeted spending on the critical aspect of repairs and maintenance. The overspending was funded through savings.	Maintain the momentum
Good maintenance programmes are in place	Maintain the momentum
Increased levels of interventions in pipe replacement, meter replacement, pressure management, leak repairs, installation of water demand management (WDM) devices, water-savings campaign and quick to respond to pipe bursts have resulted in reduced real and apparent losses.	Maintain the momentum
Water quality in Cape Town is consistently above national targets for 'Excellent quality water'. This is due to the sound management of the entire water supply process, incorporating the principle of continuous improvement. In addition, more training was given to process operators during the year, and auto labs were installed in water treatment plants.	Maintain the momentum
Downturn of the economy, increase in electricity prices and the energy savings campaign	Maintain the momentum
Difference in actual spend against budget is due to delayed implementation of various projects. Other reasons for the delays include the following: 1. Ongoing IRT inner-city bus stop infrastructure design changes due to existing services complications 2. Slower-than-expected contract start-up on some IRT contracts, and serious complications with existing services 3. Delivery of fewer IRT buses than expected 4. Delay in resolution by the Appeals Authority of section 62 appeals against the award of some major contracts	Committed funds to be rolled over to 2012/13 financial year in the adjustments budget in August 2012
The City exceeded its budgeted spending on the critical aspect of road and infrastructure maintenance. The overspending was funded through savings.	Maintain the momentum

## ANNEXURE A: ANNUAL CORPORATE SCORECARD PERFORMANCE

Indicator	Target 2010/11	Actual performance 2010/11	Annual target 2011/12	Actual 2011/12	Rating
<b>5A.1</b> Number of community parks maintained according to selected service standards Total = 3 133	3 133	2 996	2 820	3 132	
<b>5A.2</b> Number of libraries open according to minimum planned open hours, including ad hoc unforeseen closing hours Total = 98	63	66	68	68	
<b>5A.3</b> Number of fenced formal sports fields compliant with the defined level grass cover standard Total = 524	450	503	500	472	
<b>5A.4</b> Number of halls maintained to specified standard Total = 180	181	171	180	160	
<b>5B.1</b> Number of housing opportunities provided per year	8 400	7 472	8 800	7 141	
<b>5B.2</b> Number of housing opportunities provided through the informal settlement upgrade programme	1 000 erven serviced	955 erven serviced	1 400	953	








### 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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Reason for variance	Remedial action
<p>Target exceeded in the fourth quarter. Favourable weather conditions enabled all parks to be mowed according to plan, except for one.</p> <p>The standard requires that a park is cut a minimum of nine times per year.</p> <p>Quarterly targets are set to allow for some variance due to weather conditions that may prevent some planned cuts from being executed.</p>	Maintain the momentum
<p>Target achieved.</p> <p>The City has 98 libraries, of which 68 met the defined minimum planned open hours per week:</p> <ul style="list-style-type: none"> <li>Community libraries: 35 hours/week</li> <li>Regional libraries: 45 hours/week</li> <li>Citywide libraries: 63 hours/week</li> </ul> <p>The remaining libraries are open for fewer hours per week due to the effect of budget constraints on staffing levels.</p> <p>Targets are set, taking the above into consideration.</p>	Maintain the momentum
<p>Target not met.</p> <p>Sports fields that are non-compliant are undergoing repairs and maintenance in preparation for the soccer season.</p> <p>The total number of sports fields has increased from 524 to 545.</p>	<p>Progress of repairs and maintenance will be closely monitored by the district managers to ensure completion within acceptable timeframes.</p> <p>Targets for 2012/13 will be set to take into consideration the impact of peak playing seasons on grass cover, as well as planned repairs and maintenance work on sports fields.</p>
18 halls undergoing repairs and maintenance.	Department will monitor and fast-track progress of the repairs and maintenance.
<ol style="list-style-type: none"> <li>1. Tender award dispute on Happy Valley. Appointed developer withdrew on Pelican Park – new appointment to Bid Adjudication Committee (BAC) and Council</li> <li>2. The Scottsdene project, which would have produced some additional units, is six months behind schedule.</li> <li>3. The gap housing market, which is bond finance-dependent, has proven extremely depressed.</li> <li>4. Delays on Langa hostel upgrades due to heritage impact assessment</li> </ol>	<ol style="list-style-type: none"> <li>1. Contractors on site for both projects (Happy Valley and Pelican Park)</li> <li>2. Progress fully in the hands of the private developer, who is awaiting National Home Builder Registration Council approval</li> <li>3. It is hoped that the property market will turn around in the coming year. Our forecasts for next year will be cut back.</li> <li>4. First site has been cleared by Heritage, and subdivision plans are in the process. Ongoing interaction with Heritage Department for approval of other sites.</li> </ol>
<ol style="list-style-type: none"> <li>1. Land constraints for de-densification</li> <li>2. Delays in town planning approvals, e.g. Masonwabe, Sir Lowry's Pass, Wolwerivier</li> <li>3. Community resistance/invasions in areas identified for upgrades</li> </ol> <p>These constraints affected all planned projects, i.e. Monwabisi site, Ilitha Park site, erf 38552 Khayelitsha, and erf 996 Faure.</p>	<ol style="list-style-type: none"> <li>1. Various re-blocking and emergency housing projects under way, and relocations to commence soon</li> <li>2. Planning approvals for Masonwabe (80 opportunities); Sir Lowry's Pass incremental development area (177 opportunities) and Wolwerivier (500 opportunities) granted and projects to commence soon</li> </ol>

## ANNEXURE A: ANNUAL CORPORATE SCORECARD PERFORMANCE


Indicator	Target 2010/11	Actual performance 2010/11	Annual target 2011/12	Actual 2011/12	Rating
<b>6A.1</b> Survey score on five-point symmetric scale	≥3	≥2,7	≥2,7	2,8	
<b>6A.2</b> Percentage reduction in accident rate at high-frequency locations	5% reduction from a baseline of 186 = 176 accidents	28% reduction from a baseline of 186 = 134 accidents	4% decrease	84% increase 246	
<b>6A.3</b> Percentage increase in arrests in drug-related crimes	5% increase from a baseline of 952 = 1 002 arrests	45% increase from a baseline of 952 = 1 381 arrests	5% increase 1 450	22% increase 1 781	
<b>6A.4</b> Percentage response times for fire incidents within 14 minutes, from call receipt up to arrival	80%	76%	80%	82%	
<b>7A.1</b> Number of targeted development programmes	20	30	20	25	
<b>7A.2</b> Number of days when air pollution exceeds WHO guidelines	135	55	133	125	
<b>8A.1</b> Percentage 'truly loyal' employees as measured by the employee culture/climate survey	34%	35%	35%	35%	

### 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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Reason for variance	Remedial action
<p>Target regarding the safety and security aspect in the City's yearly Community Satisfaction Survey was exceeded, indicating that the community is satisfied with the status of safety and security in Cape Town</p> <p>This indicator measures community perception in respect of the prevailing levels of general disorder in the city. Issues being measured are as follows:</p> <ul style="list-style-type: none"> <li>• Visible presence of traffic enforcement</li> <li>• Action taken against illegal land invaders</li> <li>• Action taken against those who dump waste illegally</li> <li>• Acting on complaints relating to noise and other disturbances</li> <li>• Bylaws being enforced</li> </ul>	Maintain the momentum
Driver behaviour is uncontrollable, but targeted interventions are being discussed.	<p>The Traffic Services Department and Transport, Roads and Stormwater Department are engaging in interventions with a view to address traffic accidents, inter alia:</p> <ul style="list-style-type: none"> <li>– improving road signage, road markings, directional and information signage;</li> <li>– removing structures and distractions, such as advertisement boards. This is done with a view to reduce accidents by changing the environment to alter human behaviour; and</li> <li>– traffic officers will be allocated to affected areas during peak accident tendency times as a deterrent and to enforce traffic regulations.</li> </ul>
<p>Target exceeded</p> <p>Targeted approach resulted in positive performance. The City has a specific focus on drug dealing and follow-up action in respect of complaints and information received.</p>	Maintain the momentum
The medical/trauma calls have been excluded from the emergency calls. This has had a positive result in terms of response times, as it exceeds the SANS code.	Maintain the momentum
<p>Target exceeded</p> <p>The City was able to manage the risk factors that were part of the planning and target-setting process successfully. Due to the risk level during the target-setting stage, the target was calculated conservatively.</p>	Maintain the momentum
<p>Target exceeded</p> <p>The positive variance is due to a number of factors:</p> <ul style="list-style-type: none"> <li>• Weather <ul style="list-style-type: none"> <li>– Temperature invasions</li> <li>– Wind, etc.</li> </ul> </li> <li>• Implementation of the Air Quality Management Plan</li> <li>• Diesel vehicle testing centre, etc.</li> </ul>	Maintain the momentum
The percentage 'truly loyal' employees is measured by the employee culture/climate survey every two years. The last survey was completed during the previous financial year, 2010/11. The results of the latter survey, of 35%, will be applicable until the 2013/14 financial year. The next survey will be conducted during the 2012/13 financial year, and the results will be available during the 2013/14 financial year.	Maintain the momentum

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Indicator	Target 2010/11	Actual performance 2010/11	Annual target 2011/12	Actual 2011/12	Rating
<b>8A.2</b> Percentage improvement of responsiveness in service delivery	12%	14,51% declined	100%	87,92%	
<b>8A.3</b> Percentage of people from employment equity target groups employed at the three highest levels of management in compliance with the City's approved employment equity plan	New to CSC	66,65%	70%	65,70%	
<b>8A.4</b> Percentage budget spent on implementation of workplace skills plan for the City	New to CSC	90%	90%	103,89%	
<b>8B.1</b> Opinion of Auditor-General of South Africa	Unqualified audit opinion for the 2010/11 financial year	Unqualified audit opinion received for the 2010/11 financial year	Unqualified audit opinion for the 2011/12 financial year	Unqualified audit opinion received for the 2011/12 financial year	
<b>8B.2</b> Opinion of independent rating agency (high investment rating)	High investment rating of Aa2.za	High investment rating of Aa2.za was reconfirmed during July 2010, and is still valid	High investment rating of P-1.za Aa3.za	High investment rating of P-1.za Aa2.za	
<b>8B.3</b> Percentage spend of capital budget	72%	72%	95%	92,8%	
<b>8C.1</b> Community satisfaction (score 1–5)	3	2,7	2,8	2,7	

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Reason for variance	Remedial action
<p>Compared to the baseline, there has been a slight improvement. This indicator remains a challenge in terms of understanding and tracking. The underperformance is not caused by the time taken to respond to the citizen or complete the service request (e.g. fixing a broken streetlight, filling a pothole, explaining an account), but rather the time it takes to close the notification on SAP once the work is completed.</p> <p>Baseline based on current approved definition for this indicator; not comparable to 2010/11 indicator</p>	<p>Further improvement in the statistics will only come about if the current business processes to close notifications are substantially changed. Electricity is leading this process by equipping their field staff with handheld devices to allow them to capture the work done and close the notification in the field. When other departments shift to this approach, the stats will shift. The project will focus on these improvements going forward.</p> <p>Council approved a corporate programme as part of the IDP linked to this indicator, which will drive future improvements.</p>
<ul style="list-style-type: none"> <li>There is minimal labour turnover at these levels.</li> <li>The critical skills shortage in engineering disciplines is an added factor.</li> <li>The skills pipeline takes longer to mature.</li> <li>The national demand ratio is higher than the supply rate.</li> </ul>	<p>All directorates are guided on how to improve the situation:</p> <ul style="list-style-type: none"> <li>EDs to sign off on deviation from departmental target where non-EE employment offer made</li> <li>EE department to continue awareness presentations to Directorates' Senior Management</li> <li>Quarterly SDBIP report to Portfolio Committee</li> </ul>
<p>The City exceeded the spending on the critical aspect of a workplace skills plan.</p> <p>The overspending was funded through savings.</p> <p>The City continues to maximise development opportunities for employees, and to invest in the external skills pipeline to ensure that we address our current and future skills needs. Note that our ageing workforce and skills shortages have been cited as one of the highest potential risks to future service delivery. Development in staff is one of the primary risk controls within the City. The new IDP external skills programme will rely on finding savings outside the education, training and development budget in order to top up expenditure and increase the number of external training opportunities provided by the City.</p>	<p>Maintain the momentum</p>
<p>Target achieved; unqualified audit opinion received</p>	<p>Maintain the momentum</p>
<p>The City's rating is the highest that has been awarded to any municipality in the country.</p>	<p>Maintain the momentum</p>
<p>For reasons for variance, see indicator 1A.1 above.</p>	<p>Committed funds to be rolled over to 2012/13 financial year in the adjustments budget in August 2012</p>
<p>The overall rating remained stable at 2,7, the same as the previous year. Although this is below the target of 2,8, the rating has increased significantly from the baseline of 2,4 in 2007/8 (the first year of the survey). The proportion of residents who said that the City of Cape Town's overall performance was good, very good or excellent increased to 63% (up from 62% in 2010/11, 57% in 2009/10, 54% in 2008/9 and 50% in 2007/8).</p> <p>Given the significant improvement in ratings since the initial survey, it will become more challenging to increase the overall rating. Factors countering an increase in the overall rating were low ratings in certain priority service areas, such as housing and health.</p>	<p>The results of the survey have been analysed by all the directorates. The results, and how they are being used to inform service delivery improvement plans, were presented by each directorate to the relevant portfolio committee in May and June 2012.</p>



## ANNEXURE B: CORPORATE SCORECARD PERFORMANCE INDICATOR DEFINITIONS

Indicator	Indicator definition
<b>1A.1</b> Capital budget spend	Capital budget spend as per the SAP report
<b>1A.2</b> Number of EPWP job opportunities created	<p>This indicator measures the number of work opportunities created through the Expanded Public Works Programme (EPWP).</p> <ul style="list-style-type: none"> <li>An EPWP work opportunity is paid work created for an individual on an EPWP project for any period of time, within the employment conditions of the Code of Good Practice for Special Public Works Programmes.</li> <li>All learnerships, in-service training and students under a pay rate of R25 an hour also constitute a work opportunity.</li> </ul>
<b>1A.3</b> Percentage of land use applications finalised within statutory timeframes	<p>(i) Percentage of applications finalised within the legislative timeframe of four months as per the Land Use Planning Ordinance (No. 15 of 1985). An application is deemed a four-month application when no objections have been received, no government circulation is required and an official has delegation to finalise the application as per the System of Delegations approved by the City Manager.</p> <p>(ii) Percentage of applications finalised within the legislative timeframe of seven months as per the Land Use Planning Ordinance (No. 15 of 1985) and reported annually. An application is deemed a seven-month application if no objections have been received, and/or no government circulation is required and/or an official does not have the delegation to finalise the application. These applications require a decision to be made by a relevant committee, i.e. subcouncil committee, SPELUM committee, etc. For reporting purposes the two percentages (of the four- and seven-month applications) will be reflected as a consolidated average as per the corporate scorecard.</p>
<b>1A.4</b> Percentage of building plans approved within statutory timeframes	<p>Percentage of applications approved within statutory timeframes (30–60 days). The objective is to improve approval time of applications. This improvement is the trend over the course of the five-year term of the Integrated Development Plan but targeted annually as the percentage achieved for the specific year. The approval of building plans is measured within the statutory timeframes of &lt; 500 m<sup>2</sup> (30 days) and &gt; 500 m<sup>2</sup> (60 days). Refer section A7 of the National Building Regulations Act, 1977 (Act No. 103 of 1977).</p> <p>Date and time stamped data: A cut-off date of three days of the next month is allowed for the capturing of the previous month's production (i.e. 30th or 31st day of the month). Statistical data will be extracted on the fourth day, with a date and time stamp and reported accordingly. For reporting purposes the average of the 30–60 days will be reported in line with the consolidated average as per the corporate scorecard.</p>
<b>2A.1</b> Number of outstanding valid applications for sewerage services expressed as a percentage of total number of billings for the service	<p>This indicator reflects the number of outstanding valid applications (where down payment has been received) for sewerage services (where valid applications translate into an active account), expressed as a percentage of total number of active billings for the service. Billing equates to active contract accounts (sewerage services) for domestic customers as extracted from the City of Cape Town's SAP database.</p> <p>Proxy measure for national key performance indicators (NKPI)</p>
<b>2A.2</b> Number of sanitation service points (toilets) provided for informal settlement customers	<p>This indicator reflects the number of additional toilets installed or provided in informal settlements (inclusive of temporary relocation areas but exclusive of 'site-and-service' areas) by the Water and Sanitation Department per annum. Certain installed toilets may have been vandalised or removed after installation. Fixed toilets are measured on the basis of actual installations, while additional portable toilet provision (Porta-Potti and chemical toilets) is measured using servicing information.</p> <p>Proxy measure for NKPI</p>
<b>2A.3</b> Number of outstanding valid applications for water services expressed as a percentage of total number of billings for the service	<p>This indicator reflects the number of outstanding valid applications (where down payment has been received) for water services (where valid applications translate into an active account) expressed as a percentage of total number of active billings for the service. Billing equates to active contract accounts (water services) for domestic customers as extracted from the City of Cape Town's SAP database.</p> <p>Proxy measure for NKPI</p>

Indicator	Indicator definition
<b>2A.4</b> Number of water service points (taps) installed for informal settlement customers	This indicator reflects the number of taps installed in informal settlements (inclusive of temporary relocation areas but exclusive of 'site-and-service' areas) by the Water and Sanitation Department per annum. Certain installed taps may however have been vandalised or removed after installation. Proxy measure for NKPI
<b>2A.5</b> Number of outstanding valid applications for electricity services expressed as a percentage of total number of billings for the service	This indicator reflects the number of outstanding valid applications (where down payment has been received) for electricity services (meter and prepaid) (where valid applications translate into an active account), expressed as a percentage of total number of active billings for the service. Proxy measure for NKPI
<b>2A.6</b> Number of additional subsidised electricity connections installed	This indicator reflects the additional subsidised connections (for low-cost housing and informal settlements) installed per annum. Proxy measure for NKPI
<b>2A.7</b> Number of outstanding valid applications for refuse collection service expressed as a percentage of total number of billings for the service	This indicator reflects the number of outstanding valid applications (where down payment has been received) for refuse collection services (where valid applications translate into an active account) expressed as a percentage of total number of active billings for the service. Billing equates to active contract accounts (kerbside refuse collection service) for domestic customers as extracted from the City of Cape Town's SAP database. Proxy measure for NKPI
<b>2A.8</b> Number of informal settlements receiving a door-to-door refuse collection and area-cleaning service	This indicator reflects the targeted number of informal settlements receiving a weekly door-to-door refuse collection service and ongoing area cleaning (litter picking and illegal dumping removal) per annum. Proxy measure for NKPI
<b>2B.1</b> Megalitres of water consumed to meet water demand target	This indicator reflects the potable water consumed measured as bulk water treated volume in megalitres. It is measured over 12 months in order to smooth out seasonal variations and more clearly show the trend. The upward trend in the targeted figures is indicative of increased consumption due to the population growth.
<b>2B.2</b> Percentage of waste diverted from Council waste management facilities	This indicator reflects the percentage of waste reduced, through the City's own initiatives, by diverting recyclables from the waste stream in relation to the mass of waste disposed of at Council waste management facilities.
<b>2B.3</b> Percentage compliance with four critical DWA effluent standards ( <i>E. coli</i> count, ammonia content, oxygen-demanding substances, total suspended solids)	The overall average percentage of effluent samples passing tests for four critical parameters at each works: TSS 25mg/l, COD 75mg/l, NH <sub>3</sub> 10 mg/l, <i>E. coli</i> 1 000/100ml
<b>2C.1</b> Amount spent on repairs and maintenance	This indicator measures the amount of the operating budget spent on repairs and maintenance. The objective is to improve the maintenance of the city's infrastructure. Spending on repairs and maintenance is assumed to increase the lifespan of the asset.
<b>2C.2</b> SAIFI (system average interruption frequency index)	The indicator reflects the number of interruptions that a customer in the City of Cape Town electricity supply area would typically experience in the year (excluding major events), in other words how often the average connected customer experiences a sustained interruption per annum (ratio). Measured against the medium-voltage (MV) network and in terms of NERSA standard NRS 048-06 Total number of customer interruptions per annum/Total number of customers served Note that major events, such as load-shedding by Eskom, are excluded from the SAIFI indicator as those would distort the Electricity Services, performance and would make it less useful when comparing performance over a number of years. An interruption is defined as a loss of supply for more than five minutes.
<b>2C.3</b> Percentage unaccounted-for water losses	The percentage of the total volume of water not billed for, as the difference between the total volume treated for the city and the total volume sold on to end-consumers, divided by the total volume treated. It is calculated on a 12-month rolling basis in order to smooth out monthly variations and more clearly show the trend.

## ANNEXURE B: CORPORATE SCORECARD PERFORMANCE INDICATOR DEFINITIONS

Indicator	Indicator definition
<b>2C.4</b> Percentage drinking water compliance to SANS 241	Measure of potable water sample pass rate according to the SANS 241 standard. It is measured as an average of chemical and microbiological compliance for four potable water sampling point categories. It is calculated on a 12-month rolling basis in order to smooth out monthly variations and more clearly show the trend.
<b>3A.1</b> GWh of electricity purchased to meet electricity consumption target	This indicator reflects the amount of electricity purchased in GWh. The upward trend in the targeted figures is indicative of increased consumption due to population growth.
<b>4A.1</b> Percentage of capital budget spent on phase 1a of the IRT project	This indicator measures progress in the implementation of infrastructure required for phase 1a of the IRT project. The measurement is the actual capital budget spends expressed as a percentage of capital budget allocated to the project for the financial year.
<b>4A.2</b> Percentage spend of the operating budget on road and infrastructure maintenance	This indicator measures the primary operating budget spend on maintaining the road infrastructure.
<b>5A.1</b> Number of community parks maintained according to selected service standards	<p>Selected service standards refer to:</p> <p>Mowing: A minimum of nine cuts per year, at the discretion of the manager's planning to accommodate seasonal requirements, to a length of less than 50 mm after mowing.</p> <p>The work will be signed off by the superintendent.</p> <p>The total number of community parks is 3 133.</p> <p>Formula description: Number of community parks maintained according to selected service standards.</p>
<b>5A.2</b> Number of libraries open according to minimum planned open hours, including ad hoc unforeseen closing hours	<p>Planned open hours</p> <p>The number of libraries that meet the planned minimum open hour standards</p> <p>Library open hours minimum standards per category:</p> <p>Community libraries (74 libraries): 35 hours/per week;</p> <p>Regional libraries (22 libraries): 45 hours/per week;</p> <p>Citywide libraries (two libraries): 63 hours/per week.</p> <p>Total number of libraries = 98</p> <p>Open hours targets are met in the following instances:</p> <ol style="list-style-type: none"> <li>1. Library open for the full scheduled open hours (service hours) on the particular day, Monday to Saturday</li> <li>2. Library intermittently closed for less than a scheduled working day</li> <li>3. Closure for any period due to migration to a new automated library management system</li> </ol> <p>Points 2 and 3 are defined as ad hoc unforeseen closing hours.</p> <p>Open hours targets are not met when closed for one or more scheduled days.</p> <p>Formula description: The total number of libraries meeting minimum planned open hours recorded for the quarter</p>
<b>5A.3</b> Number of fenced formal sports fields compliant with the defined level grass cover standard	<p>The grass cover standard for each sports field is met when the visible sand patches on the field amounts to no more than one square metre. This will be determined by a visual inspection of the sports field conducted on a monthly basis, which is recorded and signed off by the relevant manager.</p> <p>Total number of sports fields = 524</p> <p>Formula description: Number of formal sports fields meeting standard over the quarterly period reviewed</p>
<b>5A.4</b> Number of halls maintained to specified standard	<p>Specified standards cover three areas, namely the hall section, the kitchen and the ablution facility.</p> <p>These areas are assessed and rated by the facility officer/senior/principal on a monthly basis and signed off.</p> <p>The assessment is done in terms of cleanliness and the extent to which repairs and maintenance work are required. An overall rating of at least 80% is needed for a facility to qualify as meeting the standard.</p> <p>Total number of halls = 180</p> <p>The baseline has been reduced from 181 because Vangate Hall has been removed, as it is not hired out to the public.</p> <p>Formula description: Number of halls meeting the specified standard for the quarterly period reviewed out of the total number of halls maintained</p>

Indicator	Indicator definition
<b>5B.1</b> Number of housing opportunities per year	<p>A housing opportunity is access to* and/or delivery of one of the following housing products: (A) Subsidy housing (Breaking New Ground), which provides at least a minimum 40 m<sup>2</sup> house; (B) Incremental housing, which provides a serviced site with or without tenure; (C) Rental housing, which includes new community residential units, upgrading and redevelopment of existing rental units and hostels; (D) People's Housing Process is for beneficiaries who maximise their housing subsidy by building or organising the building of their homes themselves; (E) Land restitution includes land approved by Council or court decisions for handover to valid claimants; (F) Social housing is new rental units, delivered by the City's social housing partners; (G) Gap housing is a serviced plot, a completed unit for sale or affordable units for sale.</p> <p>* As contemplated in section 26(1) of the Constitution of the Republic of South Africa 1996 i.e. 'Everyone has the right to have access to adequate housing'</p> <p>The figure for component B Incremental housing is also separately reflected under indicator 5B.2</p>
<b>5B.2</b> Number of housing opportunities provided through the informal settlement upgrade programme	<p>Definition of a housing opportunity: A housing opportunity is defined in terms of the Upgrading of Informal Settlements Programme (UISP) and the Emergency Housing Programme (EHP)</p> <p>Incremental housing opportunity</p> <ul style="list-style-type: none"> <li>• Provide only essential services (shared basic services)</li> <li>• Provide only a serviced site (roads, water, sewer and electricity where possible), or;</li> <li>• Provide emergency housing as per the National Housing Code</li> </ul> <p>Relevant programmes of the National Housing Code may apply.</p> <p>Reported delivery figures are based on physical completion of the opportunity at hand-over.</p>
<b>6A.1</b> Survey score on five-point symmetric scale	<p>This indicator measures community perception in respect of the prevailing levels of general disorder in the city. 'Anti-social behaviour and disorder' are concepts frequently used in the law enforcement environment to describe the prevailing sense of lawlessness in a particular area, and refers to minor crimes, bylaw offences, nuisances and traffic offences that have a direct impact on the quality of life of residents. The City's Community Satisfaction Survey measures public perception around a number of these issues, such as:</p> <ul style="list-style-type: none"> <li>• visible presence of traffic enforcement;</li> <li>• action taken against illegal land invaders;</li> <li>• action taken against those dumping waste illegally;</li> <li>• acting on complaints relating to noise and other disturbances; and</li> <li>• bylaws being enforced.</li> </ul> <p>Formula: A</p> <p>Formula component</p> <p>Total score in respect of the section in the survey that relates to anti-social behaviour and general disorder. Questionnaires completed by residents as part of the City's community survey which, inter alia, measures public perception around the following:</p> <ul style="list-style-type: none"> <li>• Traffic enforcement</li> <li>• Illegal land invasion</li> <li>• Illegal dumping</li> <li>• Noise and disturbances</li> <li>• General enforcement of the City's bylaws.</li> </ul>

## ANNEXURE B: CORPORATE SCORECARD PERFORMANCE INDICATOR DEFINITIONS

Indicator	Indicator definition
<b>6A.2</b> Percentage reduction in accident rate at high-frequency locations	<p>This indicator measures the decrease of vehicle accidents in five identified high-accident frequency locations. These are:</p> <ul style="list-style-type: none"> <li>• R300, Stock Road and AZ Berman Drive;</li> <li>• N7 and Potsdam Road;</li> <li>• Kuils River freeway north and Stellenbosch arterial;</li> <li>• Stellenbosch arterial and Belhar Drive; and</li> <li>• Prince George Drive, Wetton and Rosmead Avenue.</li> </ul> <p>Formula: <math>((B-A)/A) * 100</math>            Formula component: A            Component name: Accidents recorded at the five identified high-risk accident locations as reflected in the baseline            Component definition: Represents the sum of the accidents at the five locations. The road accident report represents an accurate account of the occurrence of accidents. It is based on the accident data base kept by the City's Transport and Roads Department.</p> <p>Formula component: B            Component name: Accidents recorded at the five identified high-risk accident locations in the current financial year            Component definition: Represents the sum of the accidents at the five locations for the current year. Action schedule in respect of high-accident frequency locations reflects all accidents that occurred at the five identified locations. Action schedules are compiled on a daily basis. In addition, statistics are obtained from the relevant SAPS stations where all accidents have to be reported.</p>
<b>6A.3</b> Percentage increase in arrests in drug-related crimes	<p>Percentage increase in arrests relating to drug-related crime (possession and dealing) effected by the Metro Police</p> <p>The indicator measures the increase in the arrests effected by the Metro Police in respect of drug-related crime. The indicator refers to arrests for both 'possession of drugs' and 'dealing in drugs' with the understanding that: possession in relation to drugs refers to performing any act in connection with the transshipment, importation, cultivation, collection, manufacture, supply, prescription, administration, sale, transmission or exportation of the drug.</p>
<b>6A.4</b> Percentage response times for fire incidents within 14 minutes, from call receipt up to arrival	<p>Measure:            Percentage response times within targeted range</p> <p>Formula:            Numerator: Response times within 14 minutes            Denominator: Total number of calls requiring a response</p> <p>This indicator measures the response times for fire incidents within 14 minutes from call receipt up to arrival. The response times are based on the industry norm or standard of response times to different types of call-outs, depending on the risk profile of the area in which the incident occurs. This standard is found in SANS 090. It used to be the old SABS 090 Community Protection Against Fire Standard. The aim with this indicator is to ensure that the city meets the industry norm or standard set for the specific category or type of incident. The indicator measures the efficiency of the Fire and Rescue Service.</p>
<b>7A.1</b> Number of targeted development programmes	<p>The indicator refers to the number of facilitated targeted developmental programmes to develop low-income groups, sectors and communities.</p> <p>Programmes are directed at:</p> <ul style="list-style-type: none"> <li>– youth and children;</li> <li>– early childhood and development training;</li> <li>– disability care; and</li> <li>– gender.</li> </ul>



Indicator	Indicator definition
<b>7A.2</b> Number of days when air pollution exceeds WHO guidelines	<p>Any day when any one of the criteria pollutants at any one of up to a maximum of 13* air quality monitoring stations in the City exceeds WHO guidelines. Layman's description: The number of days where one of the identified air pollution particles is above the levels set by the World Health Organisation. SO<sub>2</sub>: For 2011/12 the City will be using the RSA standard rather than the WHO guideline</p> <p>Formula: A</p> <p>Component name: Any day when any one of the criteria pollutants at any one of up to a maximum of 13* air quality monitoring stations in the City exceeds WHO guidelines (days)</p> <p>Component definition:</p> <p>Pollutants measured:</p> <ul style="list-style-type: none"> <li>• SO<sub>2</sub>, NO<sub>2</sub>, CO, PM<sub>10</sub>, O<sub>3</sub>, H<sub>2</sub>S, VOC</li> </ul> <p>An air pollution report is compiled every quarter.</p> <p>* Only the active quality monitoring stations' records will be used.</p>
<b>8A.1</b> Percentage 'truly loyal' employees as measured by the employee culture/climate survey	<p>This indicator reflects the percentage of staff determined to be truly loyal to the City of Cape Town. They are "employees who are truly motivated and will go above and beyond the call of duty to delight customers", according to Ipsos-Markinor. The unit of measure is the percentage as determined in a staff satisfaction survey. The frequency of measurement is two-yearly.</p> <p>Formula:</p> <p>The formula is the proprietary copyright of the independent service provider, Ipsos-Markinor. It is based on the responses to the survey that they have undertaken.</p>
<b>8A.2</b> Percentage improvement of responsiveness in service delivery	<p>The notification system is an electronic recording system to capture service requests received from customers (internal and external).</p> <p>The indicator measures the percentage achievement against a set improvement target, as an average of the following two components:</p> <ul style="list-style-type: none"> <li>• The time to close notifications</li> <li>• The closure rate of notifications</li> </ul> <p>The indicator is calculated as follows:</p> <ol style="list-style-type: none"> <li>1. A baseline is determined for each of the components using a rolling average. The source of information for this is the SAP notification system.</li> <li>2. The target for improvement is calculated based on the baseline. The targets for improvement are as follows: <ul style="list-style-type: none"> <li>Target Q1 = 3% improvement against baseline</li> <li>Target Q2 = 6% improvement against baseline</li> <li>Target Q3 = 9% improvement against baseline</li> <li>Target Q4 = 12% improvement against baseline</li> </ul> </li> <li>3. Measure the actual performance against the improvement target using the following formula: percentage of achievement = [(actual-target)/target]*100</li> <li>4. Calculate the performance against the target of 100% as follows: (percentage of achievement for average days to close) + (percentage of achievement for closure rate) ÷ 2 = percentage</li> </ol> <p>Data source is SAP Business Intelligence</p>
<b>8A.3</b> Percentage of people from employment equity target groups employed at the three highest levels of management in compliance with the City's approved employment equity plan	<p>The indicator measures the percentage of people from employment equity target groups employed at the three highest levels of management in compliance with the City's approved employment equity plan. Each directorate contributes to the corporate achievement of targets and goals by implementing its own objectives of quantitative and qualitative goal setting.</p>

## ANNEXURE B: CORPORATE SCORECARD PERFORMANCE INDICATOR DEFINITIONS

Indicator	Indicator definition
<b>8A.4</b> Percentage budget spent on implementation of workplace skills plan for the City	<p>A workplace skills plan (WSP) is a document that outlines the planned education, training and development interventions for the organisation. Its purpose is formally to plan and allocate budget for appropriate training interventions, which will address the needs arising out of local government's skills sector plan, the City's strategic requirements as contained in the IDP and the individual departmental staffing strategies and individual employees' personal development plans. The WSP shall also take into account the employment equity plan, ensuring incorporation of relevant developmental equity interventions into the plan.</p> <p>Formula: Measured against training budget</p>
<b>8B.1</b> Opinion of Auditor-General of South Africa	<p>This indicator measures good governance and accounting practices and will be evaluated and considered by the Auditor-General in determining his opinion. An unqualified audit opinion refers to the position where the auditor, having completed his audit and having no reservation as to the fairness of presentation of financial statements and their conformity with generally recognised accounting practices. This is referred to as an 'unqualified audit opinion'.</p> <p>Alternatively, in relation to a qualified audit opinion, the auditor would issue this opinion over the entire or a part of the financial statements if these are not prepared in accordance with generally recognised accounting practices or if he could not audit one or more areas of the financial statements.</p> <p>Indicator standard/norm/benchmark Benchmark: 2007 Unqualified audit opinion for City</p>
<b>8B.2</b> Opinion of independent rating agency	<p>A report that reflects creditworthiness of an institution to repay long- and short-term liabilities. Credit rating is an analysis of the City's key financial data performed by an independent agency to assess its ability to meet short- and long-term financial obligations</p> <p>Indicator standard/norm/benchmark Benchmark: 2007 P-1.za Aa3.za</p>
<b>8B.3</b> Percentage spend of capital budget	<p>Percentage reflecting year-to-date spend/Total budget less any contingent liabilities relating to the capital budget Contingent liabilities are only identified at the year-end.</p>
<b>8C.1</b> Community satisfaction (score 1–5)	<p>A statistically valid, scientifically defensible score from the annual survey of residents' perceptions of the overall performance of the services provided by the City of Cape Town. This is measured by responses to the survey question: "Thinking about all the different services provided by the City of Cape Town municipality, how would you rate the overall performance of the City of Cape Town?"</p> <p>The measure is given against the non-symmetrical Likert scale: 1 is poor; 2 is fair; 3 is good; 4 is very good and 5 is excellent.</p> <p>The objective is to improve the current customer satisfaction level measured through a Community Satisfaction survey (Score 1–5) from the 2,6 baseline set for 2008, to 2,8 in 2012/13. The improvement is calculated by taking the difference between the different financial years.</p> <p>Indicator standard/norm/benchmark The only other comparative benchmark would be the City of Johannesburg's 60–70% (or 3–3,5 on the Likert scale).</p>







The City is not only committed to meeting the growing electricity requirements of Cape Town's population while addressing the backlog in electrification of informal settlements and backyard dwellers, but also to continue its energy savings interventions.

## ANNEXURE C: CONVENCO PERFORMANCE SCORECARD

	Previous financial year under review 2010/11		Financial year under review 2011/12		
Indicator	Target	Actual performance	Target	Actual performance	Rating
Strategic focus area 1: Shared economic growth and development					
Corporate objective 1A: Create an enabling environment for the economy to grow and become globally competitive					
Percentage of operating budget spent	80%	Revenue 106% Expenditure 96%	98%	Revenue 98% Expenditure 94%	👎
Percentage of capital budget spent	80%	83%	80%	92%	👍
Contribution to gross domestic product	R2,3 billion per annum	R2,6 billion per annum	R2,7 billion per annum	R2,55 billion per annum	👎
International delegate days	200 000	225 657	200 000	233 225	👍
Number of jobs created	9 000	7 870	7 000	7 082	👍
Number of events	500	501	500	514	👍
Customer centricity and service excellence	75% of minimum aggregate score for all CTICC internal departments and external suppliers	77%	75% of minimum aggregate score for all CTICC internal departments and external suppliers	81%	👍
Reduction of water and energy consumption	5% saving on energy compared to 2009/10	6,84%	5% saving on energy compared to 2009/10	0%	👎
Supply chain procurement from BEE suppliers measured in terms of BEE Act	Percentage spent not below 50%	58%	Percentage spent not below 50%	73%	👍
All training costs spent on current permanent and temporary staff	Minimum of 5% as a percentage of salary cost	9%	Minimum of 5% as a percentage of salary cost	6%	👍

### 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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Reason for positive/negative variance	Remedial action
Revenue targets were not achieved due to the shortfall of venue rental income as a result of a combination of the cancellation of events (exhibitions) and due to the sales mix on the type of events.	Even though the revenue targets were not achieved, the net profit for the year was achieved due to cost savings. The shortfall on revenue during the year resulted in a cost-saving drive in order to achieve the target. During the next financial year there will be a change in the sales strategy in order to achieve the revenue budget targets.
Target exceeded	Maintain the momentum
The GDP calculation assumptions, which include average spend and average number of days, have decreased compared to prior years. The change in the assumption was not taken into account with the setting of targets and thus the actual is lower than the target. Should the same assumption have been used as the assumptions of the prior years, the actual achieved would be R2,7 million.	Assumption will be revisited
Target exceeded	Maintain the momentum
Target exceeded	Maintain the momentum
Target exceeded	Maintain the momentum
Target exceeded	Maintain the momentum
This increase is specifically attributed to an ongoing project, for the replacement of the Building Management System (BMS), which was necessitated due to the regular failures of the old system. In order to build a new system, the old system had to be decommissioned, the building has been placed in manual operation mode, and a new system is being built while we continue to operate and deliver exceptional events.	It is envisaged that the new BMS, once fully operational, will significantly address our power consumption challenges and significantly reduce consumption, the effects of which will be seen by the end of this calendar year.
Target exceeded	Maintain the momentum
Target exceeded	Maintain the momentum





The City is the service authority and regulator of waste management activities in Cape Town, which includes developing operational and support strategies to manage and minimise waste and ensuring sustainable and affordable services.

## ANNEXURE D: 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	Compliance
Required documentation to be included in the annual report		
1	Financial statement	Yes
2	Auditor-General's 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
	Disclosures on intergovernmental and other allocations	Yes
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
Disclosures concerning councillors, directors and officials		
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

## ANNEXURE D: ANNUAL REPORT COMPLIANCE CHECKLIST

No.	Requirement	Compliance
Other compulsory disclosures		
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
In respect of each bank account held by the municipality during the relevant financial year		
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: 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; any criminal or disciplinary steps taken as a result of such losses or such unauthorised, irregular or fruitless and wasteful expenditures; and any material losses recovered or written off	Yes

## ANNEXURE E: 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
1.1	Preparation of an integrated report			
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 continuously during the year by the City's Internal Audit Directorate, and annually by the Auditor-General.
1.2	Statement of application of King III			
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.
1.3	Going concern			
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



## ANNEXURE E: 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
1.4	Disclosure regarding directors			
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	<p>Council comprises public office bearers elected by the community. The various committees are elected by all councillors.</p> <p>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).</p> <p>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>.</p>
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.



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
1.4	Disclosure regarding directors (continued)			
1.4.5	Chapter 2 par 88.3	Education, qualifications and experience of the directors	Yes	<p>Municipal Structures Act (Act 117 of 1998), section 21:</p> <p>"Qualifications for councillors</p> <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 not 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 to 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	<p>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> <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>

## ANNEXURE E: 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
1.4	Disclosure regarding directors (continued)			
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. The disclosures are reflected in the personal files of all councillors and the annual financial statements.
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 performance of the City 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 subject 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.
1.5	Statement by the board on internal controls			
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

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
1.5	Statement by the board on internal controls (continued)			
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 certain 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>
1.6	Statement by the board on risk management			
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.

## ANNEXURE E: 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
1.6	Statement by the board on risk management (continued)			
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, and are responsible for monitoring the risks as well as reporting 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.
1.7	Internal audit			
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.

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
1.8	Assurance on sustainability reporting			
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	Council has assigned the overseeing of sustainability issues in the integrated report to the Audit Committee.  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.  The challenge in this regard is to upskill Audit Committee members to deal with their responsibilities relating to sustainability reporting.
1.9	Managing stakeholder relationships			
1.9.1	Chapter 6 par 22 Chapter 8 par 36	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:  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)  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.	Yes	No requests for information that had been lodged with the municipality in terms of the Public Access to Information Act were refused.  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.
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



## ANNEXURE E: 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
1.10	Compliance with laws, regulations, rules and standards			
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 Municipal Public Accounts Committee (MPAC)</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>
1.11	Terms of reference for board committees			
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 of 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).
1.12	Ethics performance			
1.12.1	Chapter 1 par 49	The company's ethics performance should be disclosed.	Yes	See point 1.10.1 above
1.13	IT reporting			
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.
1.14	Commentary on financial results			
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 F: COUNCIL AND COMMITTEE MEETINGS

Year	Meeting	Ordinary	Special	Total
2011				
	Finance	3		3
	Human Settlements	3		3
	Utilities	3		3
	Corporate Services	3		3
	Economic, Environmental and Spatial Planning	3	1	4
	Health	3		3
	Social Development and Early Childhood Development	3	1	4
	Tourism, Events and Marketing	3		3
	Community Services	3		3
	Safety and Security	3	1	4
	Transport, Roads and Stormwater	3	1	4
	Mayoral Committee	9	1	10
	Council	5	1	6
2012				
	Finance	5		5
	Human Settlements	5		5
	Utility Services	5	2	7
	Corporate Services	5		5
	Economic, Environmental and Spatial Planning	5	1	6
	Health	5		5
	Social Development and Early Childhood Development	5	1	6
	Tourism, Events and Marketing	3		3
	Community Services	5	1	6
	Safety and Security	5		5
	Transport, Roads and Stormwater	5		5
	Mayoral Committee	10	3	13
	Council	5	1	6

## ANNEXURE G: CAPITAL BUDGET SUMMARY PER SUBCOUNCIL AND WARD

Subcouncil and ward	Audited outcome 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000	Budget 2014/15 R'000
<b>Subcouncil 1</b>	<b>108 725</b>	<b>127 842</b>	<b>125 060</b>	<b>80 000</b>
Ward 4	7 265	1 940	95 500	65 000
Ward 23	6 465	5 397	–	300
Ward 29	2 330	2 231	3 500	4 750
Ward 32	26 098	69 400	5 400	4 800
Ward 104	64 981	48 575	20 660	5 150
Ward 107	1 586	300	–	–
<b>Subcouncil 2</b>	<b>117 839</b>	<b>149 453</b>	<b>94 425</b>	<b>4 200</b>
Ward 6	111 427	110 697	77 125	4 000
Ward 7	3 899	37 105	17 000	200
Ward 8	1 126	652	300	–
Ward 111	1 387	1 000	–	–
<b>Subcouncil 3</b>	<b>60 092</b>	<b>150 016</b>	<b>14 430</b>	<b>–</b>
Ward 1	1 098	100	316	–
Ward 3	56 398	148 814	14 114	–
Ward 5	298	302	–	–
Ward 70	2 298	800	–	–
<b>Subcouncil 4</b>	<b>65 400</b>	<b>73 152</b>	<b>15 980</b>	<b>9 925</b>
Ward 25	34 556	26 240	2 500	2 600
Ward 26	3 232	1 382	–	–
Ward 27	230	300	–	–
Ward 28	487	968	–	–
Ward 30	26 895	44 262	13 480	7 325
<b>Subcouncil 5</b>	<b>9 352</b>	<b>28 139</b>	<b>32 500</b>	<b>31 675</b>
Ward 13	3 168	10 304	25 000	19 175
Ward 20	304	319	–	–
Ward 24	261	1 804	–	–
Ward 31	5 322	15 104	–	10 500
Ward 50	297	304	–	–
Ward 106	–	304	7 500	2 000
<b>Subcouncil 6</b>	<b>171 252</b>	<b>141 337</b>	<b>78 464</b>	<b>8 000</b>
Ward 2	3 435	11 602	4 500	–
Ward 9	105 056	95 400	17 300	4 500
Ward 10	627	20 113	40 284	–
Ward 12	11 184	11 649	15 860	3 500
Ward 22	50 950	2 573	520	–

Subcouncil and ward	Audited outcome 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000	Budget 2014/15 R'000
<b>Subcouncil 7</b>	<b>74 637</b>	<b>87 623</b>	<b>26 325</b>	<b>21 700</b>
Ward 21	19 591	2 878	650	–
Ward 101	394	465	–	–
Ward 102	4 926	6 400	5 000	–
Ward 103	37 487	31 624	4 275	3 000
Ward 105	12 239	46 257	16 400	18 700
<b>Subcouncil 8</b>	<b>19 528</b>	<b>28 966</b>	<b>54 320</b>	<b>83 780</b>
Ward 83	2 843	2 132	2 300	6 200
Ward 84	200	1 900	6 500	3 400
Ward 85	7 284	2 321	2 000	2 000
Ward 86	2 343	2 754	8 120	2 880
Ward 100	6 858	19 858	35 400	69 300
<b>Subcouncil 9</b>	<b>6 328</b>	<b>10</b>	<b>300</b>	<b>21 000</b>
Ward 18	577	–	–	–
Ward 87	4 630	–	300	21 000
Ward 89	142	10	–	–
Ward 90	540	–	–	–
Ward 91	439	–	–	–
<b>Subcouncil 10</b>	<b>10 039</b>	<b>22 754</b>	<b>15 800</b>	<b>22 000</b>
Ward 92	6 114	11 559	10 500	1 300
Ward 93	1 716	9 095	4 800	5 200
Ward 94	1 894	1 800	500	8 900
Ward 99	315	300	–	6 600
<b>Subcouncil 11</b>	<b>143 064</b>	<b>212 322</b>	<b>194 343</b>	<b>73 363</b>
Ward 42	6 767	79 260	90 466	26 904
Ward 44	89 198	86 194	45 428	5 459
Ward 45	5 002	315	–	–
Ward 49	42 097	46 553	58 450	41 000
<b>Subcouncil 12</b>	<b>26 219</b>	<b>13 461</b>	<b>14 100</b>	<b>26 500</b>
Ward 78	19 538	11 348	9 200	18 000
Ward 79	3 923	713	–	2 000
Ward 81	2 479	900	2 500	2 500
Ward 82	279	500	2 400	4 000
<b>Subcouncil 13</b>	<b>2 483</b>	<b>4 497</b>	<b>14 800</b>	<b>13 900</b>
Ward 33	421	560	12 500	12 000
Ward 34	771	950	1 000	1 200
Ward 35	610	2 857	1 300	700
Ward 36	681	130	–	–

## ANNEXURE G: CAPITAL BUDGET SUMMARY PER SUBCOUNCIL AND WARD

Subcouncil and ward	Audited outcome 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000	Budget 2014/15 R'000
<b>Subcouncil 14</b>	<b>1 718</b>	<b>17 164</b>	<b>32 000</b>	<b>20 000</b>
Ward 37	–	970	6 000	–
Ward 38	665	3 300	16 000	4 000
Ward 39	226	7 261	9 000	16 000
Ward 40	158	5 300	–	–
Ward 41	669	333	1 000	–
<b>Subcouncil 15</b>	<b>12 105</b>	<b>58 580</b>	<b>103 366</b>	<b>54 000</b>
Ward 51	590	21 476	40 866	35 000
Ward 52	662	657	–	–
Ward 53	5 662	30 360	60 000	18 000
Ward 55	1 385	924	–	–
Ward 56	3 613	4 683	2 500	1 000
Ward 57	193	480	–	–
<b>Subcouncil 16</b>	<b>256 326</b>	<b>327 684</b>	<b>151 489</b>	<b>70 700</b>
Ward 54	77 942	135 546	2 000	2 000
Ward 74	6 638	44 815	63 544	43 700
Ward 77	171 746	147 323	85 945	25 000
<b>Subcouncil 17</b>	<b>57 785</b>	<b>77 884</b>	<b>65 054</b>	<b>25 351</b>
Ward 46	300	300	–	–
Ward 47	46 934	76 580	65 054	25 351
Ward 48	10 252	705	–	–
Ward 60	299	300	–	–
<b>Subcouncil 18</b>	<b>59 597</b>	<b>98 291</b>	<b>53 868</b>	<b>18 746</b>
Ward 63	302	2 318	15 000	–
Ward 65	293	635	–	–
Ward 66	54 272	92 884	37 368	16 746
Ward 68	50	300	–	–
Ward 80	529	306	–	–
Ward 110	4 151	1 847	1 500	2 000
<b>Subcouncil 19</b>	<b>67 091</b>	<b>57 908</b>	<b>44 867</b>	<b>34 769</b>
Ward 43	2 344	13 097	3 000	6 000
Ward 61	15 283	11 600	11 750	4 000
Ward 64	22 393	14 088	16 000	12 000
Ward 67	22 522	17 563	12 117	9 329
Ward 69	4 549	1 560	2 000	3 440



Subcouncil and ward	Audited outcome 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000	Budget 2014/15 R'000
<b>Subcouncil 20</b>	<b>11 224</b>	<b>22 184</b>	<b>22 791</b>	<b>57 000</b>
Ward 58	298	371	–	–
Ward 59	5 314	1 485	–	–
Ward 62	386	1 700	2 000	17 000
Ward 71	1 131	518	–	–
Ward 72	3 757	17 601	20 791	40 000
Ward 73	338	508	–	–
<b>Subcouncil 21</b>	<b>55 196</b>	<b>55 237</b>	<b>39 414</b>	<b>39 500</b>
Ward 11	830	1 250	3 500	4 500
Ward 14	19 655	20 330	15 214	6 500
Ward 17	2 953	1 176	1 500	1 000
Ward 19	1 726	13 412	5 700	12 500
Ward 108	30 032	19 070	13 500	15 000
<b>Subcouncil 22</b>	<b>17 488</b>	<b>23 547</b>	<b>112 492</b>	<b>119 150</b>
Ward 15	4 990	2 670	1 000	–
Ward 16	10 404	4 240	6 042	2 500
Ward 109	2 094	16 637	105 450	116 650
<b>Subcouncil 23</b>	<b>81 589</b>	<b>29 752</b>	<b>11 000</b>	<b>25 010</b>
Ward 75	62 788	4 028	–	–
Ward 76	18 157	25 237	11 000	25 010
Ward 88	644	487	–	–
<b>Subcouncil 24</b>	<b>49 298</b>	<b>36 776</b>	<b>66 946</b>	<b>93 995</b>
Ward 95	30 190	6 489	25 042	58 995
Ward 96	291	30	300	21 000
Ward 97	4 338	20 693	39 000	14 000
Ward 98	14 479	9 563	2 603	–
<b>Multi-ward projects</b>	<b>2 216 569</b>	<b>3 091 762</b>	<b>2 982 909</b>	<b>3 272 298</b>
Ward 200	2 216 569	3 091 762	2 982 909	3 272 298
<b>Corporate infrastructure projects</b>	<b>532 304</b>	<b>1 366 589</b>	<b>633 472</b>	<b>483 210</b>
Ward 201	532 304	1 366 589	633 472	483 210
<b>Grand total</b>	<b>4 233 245</b>	<b>6 302 931</b>	<b>5 000 515</b>	<b>4 709 773</b>

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## ANNEXURE H: LIST OF ABBREVIATIONS AND ACRONYMS USED IN THIS REPORT

<b>AFD</b>	Agence Francaise de Développement
<b>AMR</b>	automated meter reader
<b>AOD</b>	alcohol and other drugs
<b>AQMP</b>	Air Quality Management Plan
<b>ARF</b>	Atlantis Revitalisation Framework
<b>ART</b>	antiretroviral therapy
<b>ASB</b>	Accounting Standards Board
<b>BEPP</b>	Built Environment Performance Plan
<b>BOD</b>	burden of disease
<b>CAPA</b>	Climate Adaptation Plan of Action
<b>CBD</b>	central business district
<b>CDS</b>	City Development Strategy
<b>CHC</b>	community health centre
<b>CIDs</b>	city improvement districts
<b>CMTF</b>	Cape Metropolitan Transport Fund
<b>COHSASA</b>	Council for Health Service Accreditation of South Africa
<b>COID</b>	compensation for occupational injuries and diseases
<b>Convenco</b>	Convention Centre Company (Pty) Ltd
<b>CPI</b>	consumer price index
<b>CRR</b>	capital replacement reserve
<b>CRUs</b>	community residential units
<b>CSA</b>	control self-assessment
<b>CSCT</b>	Climate Smart Cape Town
<b>CTICC</b>	Cape Town International Convention Centre
<b>CTSDF</b>	Cape Town Spatial Development Framework
<b>CTZS</b>	Cape Town Zoning Scheme
<b>DB</b>	defined-benefit
<b>DBSA</b>	Development Bank of Southern Africa
<b>DC</b>	defined-contribution
<b>DMTN</b>	domestic medium-term note
<b>DoRA</b>	Division of Revenue Act
<b>DWA</b>	Department of Water Affairs
<b>ECCAP</b>	Energy and Climate Change Action Plan
<b>EDS</b>	Economic Development Strategy
<b>EE</b>	employment equity
<b>EEDSM</b>	energy efficiency and demand-side management
<b>EFF</b>	external finance fund
<b>EMF</b>	environmental management framework
<b>EMT</b>	Executive Management Team
<b>EPWP</b>	Expanded Public Works Programme
<b>ERP</b>	enterprise resource planning
<b>FBE</b>	free basic electricity
<b>GIS</b>	geographic information system
<b>GRAP</b>	Generally Recognised Accounting Practice
<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>IPTN</b>	integrated public transport network
<b>IRM</b>	integrated risk management
<b>IRT</b>	integrated rapid transit
<b>IT</b>	information technology

<b>IWM</b>	integrated waste management
<b>JSE</b>	JSE Limited
<b>KAPS</b>	Khayelitsha Air Pollution Strategy
<b>KCT</b>	Khayelitsha Community Trust
<b>LEAP</b>	long-range energy alternatives planning
<b>LUPO</b>	Land Use Planning Ordinance (No. 15 of 1985)
<b>Mayco</b>	Mayoral Committee
<b>MIG</b>	municipal infrastructure grant
<b>MFMA</b>	Municipal Finance Management Act (Act 56 of 2003)
<b>MPAC</b>	Municipal Public Accounts Committee
<b>MRF</b>	materials recovery facility
<b>MTREF</b>	Medium-Term Revenue and Expenditure Framework
<b>NDPG</b>	Neighbourhood Development Partnership Grant
<b>NERSA</b>	National Energy Regulator of South Africa
<b>NGO</b>	non-governmental organisation
<b>NKPI</b>	national key performance indicator
<b>NLTA</b>	National Land Transport Act
<b>NMT</b>	non-motorised transport
<b>NWMS</b>	National Waste Management Strategy
<b>OD&amp;T</b>	organisational development and transformation
<b>PAYE</b>	pay-as-you-earn
<b>PEDI</b>	Philippi Economic Development Initiative
<b>PGWC</b>	Provincial Government of the Western Cape
<b>PHC</b>	primary health care
<b>PPE</b>	property, plant and equipment
<b>PPP</b>	public-private partnership
<b>PRASA</b>	Passenger Rail Agency of South Africa
<b>PRC</b>	Project Review Committee
<b>SALGA</b>	South African Local Government Association
<b>SAMWU</b>	South African Municipal Workers' Union
<b>SAPS</b>	South African Police Service
<b>SARS</b>	South African Revenue Service
<b>SASTT</b>	Southern African Society for Trenchless Technology
<b>SCM</b>	supply chain management
<b>SCMB</b>	Standard Corporate and Merchant Bank
<b>SCOPA</b>	Standing Committee on Public Accounts
<b>SDF</b>	spatial development framework
<b>SDP</b>	spatial development plan
<b>SFA</b>	strategic focus area
<b>SOV</b>	single-occupancy vehicle
<b>SPEARS</b>	Specialised Radio and Electronic Services
<b>SPV</b>	special-purpose vehicle
<b>TB</b>	tuberculosis
<b>tCO<sub>2</sub>e</b>	tons of carbon-dioxide-equivalent
<b>TOC</b>	Technical Operations Centre
<b>UIF</b>	Unemployment Insurance Fund
<b>URP</b>	Urban Renewal Programme
<b>USDG</b>	Urban Settlements Development Grant
<b>VAT</b>	value-added tax
<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

## ANNEXURE I: LIST OF TABLES AND FIGURES IN THIS REPORT

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**Chapter 4**

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