



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

ANNEXURE 35

CAPE TOWN STADIUM (MUNICIPAL ENTITY) – BUSINESS PLAN



CAPE TOWN STADIUM

BUSINESSPLAN 2020/2021



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1 EXECUTIVE SUMMARY



1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

The 2018/2019 financial year has been an eventful and rewarding year for the Cape Town Stadium (“CTS”) and the City of Cape Town owned Municipal Entity (“ME”) which governs and manages the stadium on the City’s behalf. As projected in the previous CTS business planning cycle, CTS has taken major strides in developing and implementing its organisational, administrative, commercial, financial and facility management operations.

Cape Town Stadium (RF) SOC Limited has successfully completed its first full annual financial cycle. The Board and Management of CTS are pleased to report that during this financial year, the stadium has achieved (and in some instances exceeded) its projected performance and budgeted financial targets, but has also successfully concluded its organisational re-structure following the establishment and commencement of the business operations of the ME.

The Board of Directors of CTS are also pleased to report that CTS received an un-qualified “clean” audit report and audit opinion from the Auditor-General in respect of the first full financial year.

This included the finalisation and implementation of the legislatively required Service Delivery Agreement (“SDA”) with the City in respect of its governance and management of the CTS.

In short - CTS has now been enabled to effectively execute on its contractual mandate to the City for the ultimate benefit of the City ratepayers.

In pursuit of its Board approved commercialisation strategy, which has been the primary operational focus point of CTS during its current business cycle, CTS has fine-tuned its commercial strategy and business plan. This has included the identification and the commencement of the implementation of all possible commercial revenue streams, particularly those which have been enhanced by the securing of a major local and international Rugby Union franchise, Western Province Rugby (“WPR”) as a premium anchor tenant at CTS.

In this regard a Binding Heads of Agreement has been signed between all parties and it is envisaged that WPR will be playing their first professional matches at the CTS in early 2021. Critically, CTS has also finalised and is in the process of implementing its commercial delivery model which encompasses both out-sourced and in-house elements. Tender processes in respect of seven key stadium commercial revenue streams are well advanced and will be in place prior to the end of the current CTS 2019/2020 financial year.

A critical commercial revenue generator is the Naming Rights to CTS. This initiative has advanced as there are current discussions underway in securing a naming rights partner. Three naming rights partners have expressed genuine interest and CTS is looking forward to the appointment of a suitable partner.

Further to the Entity's drive towards achieving full commercial capitalisation of the stadium, appropriate focused targets have been set as per its Service Delivery Budget Implementation Plan ("SDBIP") scorecard (Annexure B1). This has been agreed with the City, in order to achieve its stated commercial objective.

The following CTS Board committees and sub-committees have been fully constitutionalised via the development and approval of Terms of Reference for the following committee and sub-committees:

- Audit and Risk Committee
- Human Resource, Social & Ethics Sub-committee
- Events, Marketing & Communication Sub-committee.

These committees have been effectively and diligently fulfilling their respective oversight roles. Significant strides have also been made on the Corporate governance front. The current Internal Company Secretarial function is scheduled to make way for an independent, experienced out-sourced company secretarial service provider on 1 July 2020.

Recognising that its human capital is a strategic and valuable asset to the success of the organisation, CTS maintains a key focus on the retention and development of its valuable staff complement and the filling of key operational vacancies.

In short, CTS is now entering into its commercial and financial sustainability phase of its business cycle which is ultimately aimed at transforming the CTS into a financially sustainable asset. The draft business plan 2020/2021 and its 3 year budget will be considered and ratified by the CTS Board in February 2020.

1.2 LEGISLATIVE COMPLIANCE & POLICY FRAMEWORK

A final SDA between CTS and the City was signed on 15 November 2018. The business plans and SDBIP (Annexure B) targets and scorecards of CTS have been developed to ensure focused implementation and execution of its legislative and contractual mandates, obligations and responsibilities.

Relevant policies were internally developed by CTS to ensure compliance with these legislative responsibilities. These policies were reviewed during 2019/20 and a number of new policies were drafted and approved by the Board. These are dealt with later in the report.

1.3 FINANCIAL SUSTAINABILITY

As part of its drive towards financial sustainability and having recognised the fact that the number of well attended events is the major driver of all commercial income streams, CTS is focusing on the following targeted operational areas:

- 1.3.1 Activation of all potential income streams.
- 1.3.2 Focusing its marketing initiatives towards increasing the number of events at CTS (including, but not limited to, bowl, non-bowl, conferencing & banqueting, film shoots and product launch events).
- 1.3.3 Optimising utilisation of budget and realising savings where possible and appropriate.

Following the organisational restructure of CTS and in order to manage and drive this commercial revenue enhancement process, a new position of Manager: Commercialisation has been created. The Commercialisation Manager will be supported by two Commercial Account Managers who will report directly to the incumbent.

The appointment of the CTS Commercial Manager, a local experienced major stadium event delivery executive, is imminent.

1.4 CTS COMMERCIALISATION MODEL

Three potential commercialisation models were presented to the CTS Board for consideration and approval:

- Fully insourced model
- Fully outsourced model
- Partially outsourced model

Each potential model was presented in detail including all of the relevant pro's and con's associated with implementation.

The Board approved the implementation of the recommended partially outsourced model which, in essence, entails that the majority of commercial opportunities be outsourced to specialists during year 1 – 4 with the intention of insourcing these opportunities, following skills transfer, from years 5 – 6.

The outsourced commercial opportunities include the commercialisation of inter alia, naming rights, advertising rights, pouring rights, liquor distribution, hospitality, food and beverage and concessionaires. Critically, CTS will, during this initial period, retain control over all commercial revenue elements deemed to be of strategic importance, i.e. event scheduling, financial modelling, over-arching commercial strategy, allocation and use of stadium assets, management and quality control of outsourced services.

In pursuance of its commercial property initiatives, CTS has entered into a lease agreement with the City which now allows it to sublet all available office and retail space in the stadium.

As stated above, and as a component of the partially outsourced commercial strategy, the securing of a naming rights partner for the stadium, following a competitive tender process, was out-sourced to an experienced local service provider.

1.5 EVENTS

The stadium has maintained its position as a multi-functional facility and has hosted a total of 105 multi - category events, during the 2019 calendar year, which have been broken down as follows:

- 37 bowl events;
- 52 non-bowl events;
- 16 film shoots.

As part of the organisational restructure, the Events Department was recently merged with the Operations Department and is now known as the Operations and Events Department. This allows for a more optimised and customer-centric approach i.e. existing and potential clients and customers of CTS now have one point of entry and a much faster turnaround time in connection with event scoping, costing, and planning.

CTS has concluded a number of multi-year bowl event deals with, inter alia, major international concert promoters, World Rugby™, major Premier Soccer League (“PSL”) clubs and the South African Rugby Union (“SARU”). The stadium is also a regular annual host to the business-end knockout stages of PSL major events.

The stadium is currently the host of the SA leg of the World Rugby Sevens Series and again, during 2019, received the accolade of the best event of the World Sevens™ Series.

CTS is also proud to have recently secured both a Springbok Test and a Provincial match against Western Province during the 2021 British and Irish Lions Tour to SA. Reference is also made to the recent announcement that CTS will be the proud host of the Rugby Sevens World Cup™ in 2023. In short, it remains a strategic priority of CTS to ensure the optimal use of the City’s major stadium asset through, amongst others, the creation of event use opportunities for both professional and non-professional (community/cultural) organisations and the professional delivery of its obligations to its valued international and local event organiser clients.

1.6 MARKETING - “CTS - SO MUCH MORE THAN JUST A STADIUM”

“So much more than just a Stadium” is more than just a glib marketing slogan for CTS. It is a message which has been integrated into its daily business practices and is, inter alia, a core feature of our communication and PR strategy.

The Department previously known as Commercialisation, Brand and Marketing has, as part of the recent CTS organisational restructuring process, been constituted into a stand-alone Marketing, Brand and Events Acquisition Department.

This new department is focusing its efforts on managing the CTS’s key marketing and brand components as well as procuring and designing new events for the stadium. The integrated Niche Marketing, Public Relations (“PR”) and Communication strategy was developed and is in the process of being implemented. This included the development and maintenance of a stand-alone CTS website and an Instagram account. Launching of a LinkedIn account for CTS is imminent.

CTS recognises that it is mission critical that the implementation of the above strategy must play a significant role in the elevation of the stadium profile and brand awareness.

An events acquisition strategy will also be developed and finalised within this period.

1.7 ORGANISATIONAL DESIGN & ALIGNMENT WITH BUSINESS GOALS

The new organisational design was approved by the CTS Board and the filling of all the positions as per the phased approval programme will be concluded within the latter part of 2019/20 financial year.

The revised organisational structure is set out in Annexure A.

1.8 HUMAN CAPITAL DEVELOPMENT

As a progressive organisation which prides itself in the well-being and development of its human capital, CTS is acutely aware that continuous training of its valued staff is essential to the successful delivery of its mandate.

The management of major stadia is a specialist, complex and dynamic area which requires consistent growth of its staff, both as individuals and as a key component of the organisation. To achieve this, targeted training interventions as well as team and organisational effectiveness assessments (and interventions where applicable) will be effected by CTS during the period of this business plan.

Management will ensure that it spends 100% of its allocated budgets towards the attainment of this goal.

1.9 OPERATIONS AND EVENTS

The new Operations and Events Department has been established. The primary mandate of this new department is asset preservation, facility maintenance and logistical /event readiness and co-ordination.

A Maintenance Strategy and Plan has been implemented and is being diligently monitored to ensure the longevity of this asset. The regular complements received in this regard from national and international users of the stadium bears testimony to the success of this programme. This Strategy remains in place and will be continually monitored.

This Department also serves as the entry point for event clients and the movement of the events section into this sphere of operations has proven to be effective both from an integration as well as a client service point of view.

Additional Hospitality Suites

In line with international research and benchmarking of commercially successful international stadiums, CTS has embarked on the expansion of its in-stadium hospitality offering. This involves the design and construction of additional suites at CTS. The Operations and Events Department will be responsible for the managing and oversight of this strategic capital project.

The project increases the number of suites by 162, which will bring the total suites available at the CTS to 230. This project will commence during February 2020 and is scheduled to be completed in February 2021.

SASREA COMPLIANCE

CTS has applied for and has again received its Existing Stadium Safety and High-Risk Grading Certificate as contemplated in Section 8 of the Safety at Sports & Recreational Events Act, 2010. The CTS is the only sport & recreational facility in the Western Cape Province categorised to host high risk events.

The Operations and events Department is currently in the process of applying for the SASREA required Section 10 stadium Alteration/Extension Safety Certificate in respect of its imminent additional suite capital project referred to in more detail later in this report.

AN ENVIRONMENTALLY SUSTAINABLE STADIUM

CTS is currently and will continue to implement a number of initiatives in order to maximise the environmental sustainability of the asset and to comply with existing City, Provincial and National requirements and local environmental challenges.

These initiatives include, but are not limited to, the following implemented initiatives:

- Water conservation;
- Pitch Fertilisation;
- Energy efficiency including “intelligent” LED Lighting systems;
- Waste management and cleaning.

The Operations and Events Department will shortly be developing an Event Environmental Sustainability Guide, aligned with ISO 20121. This Guide will be issued to all event organisers hosting events at the stadium for compliance purposes.

1.10 UNQUALIFIED AUDIT

The Board and Management of CTS are proud to confirm that it received a “clean” (unqualified) audit report from the Auditor-General in respect of its first full year of operations as an independent business entity. CTS will continue to strive towards ensuring that it consistently achieves un-qualified audit reports in the future.



CAPE TOWN STADIUM

2

OUR CORE OBJECTIVE & GUIDING PRINCIPLES



2 OUR CORE OBJECTIVE & GUIDING PRINCIPLES

CTS will consistently focus on ensuring that the following core objectives and values of the organisation will be applied.

2.1 VISION

To achieve global recognition as a major event hosting facility and become the premium venue of choice.

2.2 MISSION

As a leading international, multi-purpose events facility our objectives toward attaining our vision are:

- client service excellence through focused strategic purpose;
- team synergies;
- customer centricity;
- innovative approaches and
- environmental sustainability.

Our Mission Statement can be further refined as follows:

“The CTS will continue to strive to achieve financial sustainability through the maximum possible leveraging of all commercial opportunities”.

The CTS will deliver on its plan in a manner that is consistent with international environmental best-practice. Furthermore, it will continue to contribute to the socio-economic well-being of the City by positively impacting on the local economy (Inc. job creation, promotion of entrepreneurial endeavour & increased event based tourism) through the hosting of major events as well as creating a safe and spectator-friendly environment where members of our Cape Town & Western Cape communities and International and National visitors can share in the CTS experience.

2.3 CORE VALUES

The following core values will continue to under-pin the business of CTS as it transitions into a fully commercialised, major stadium business entity:

- Professionalism
- Integrity
- Customer centricity
- Respect
- Efficiency
- Versatility

2.4 BUSINESS ETHICS

CTS is committed to developing and upholding an ethical business culture.

As stated in the Executive Summary (above), CTS has adopted the King IV principles and will continue to conduct its business in an open, fair, responsible and transparent manner, with accountability attributed to relevant Board, management and staff members.

2.5 GUIDING PRINCIPLES

In addition to the stated core business objectives and values, CTS have adopted and will continue to comply with the following guiding principles drawn from the City's current 2017-2022 IDP. These guiding principles act, amongst others, as drivers for the implementation of its 2019-2022 Business Plan:

- Good Governance
- Operational sustainability
- Forward looking & globally competitive
- Customer centricity
- Resilience
- Transversal approach (improved integration, coordination and strategic alignment of departmental services)
- Economic inclusion
- Resource efficiency & security
- Environmental sustainability
- A safe & secure environment.

The CTS Board has approved the internally developed Code of Ethics Policy. It serves as the guiding light for the ethical operational practices which permeate the organisation.

2.6 STRATEGIC ALIGNMENT TO THE CITY'S INTEGRATED DEVELOPMENT PLAN (IDP)

CTS will continue to conduct its business in accordance with the key pillars and objectives of the City's current 2017-2022 IDP.

The business planning of all CTS departments are aligned with the following City of Cape Town Strategic Focus Areas:

Strategic Focus Area 1.1: The “Opportunity City”

- CTS's key role in assisting the City to position itself as a forward-looking globally competitive City
- Job creation, facility & event service provider opportunities
- Support of local entrepreneurial endeavour
- Creation of event tourism opportunities

Strategic Focus Area 1.1G: Leverage (City's) Assets to drive Economic Growth

- The full commercial leveraging of the CTS following the City's establishment of a stand-alone external business entity (adoption of a commercially flexible governance & management model) to govern & manage the stadium is achieving the dual objective of driving economic growth in the City whilst lessening the financial burden on its City Ratepayers.

Strategic Focus Area 5.1: The “Well Run City”

CTS continues to align itself with and contribute to the principles of a well-run City in, amongst others, the following ways:

- Full municipal entity legislative governance compliance;
- Unqualified “clean” audit report;
- Adherence to the business principles enshrined in King IV.



CAPE TOWN STADIUM

3 WHO WE ARE



3 WHO WE ARE

CTS (RF) SOC Limited, the ME commenced business operations on 01 February 2018. As already stated, it has successfully concluded its first full financial cycle (2018/19) and is operating within the mandate as captured in the SDA between the Entity and the City.

SHAREHOLDING

The City is currently the sole owner (100% shareholder) of the Company (Cape Town Stadium (RF) SOC Limited, Reg. NO: 2017/488432) which houses the ME. Notwithstanding its sole ownership of the entity, the City has elected to appoint a Board consisting of non-executives with a combination of appropriate experience and professional skills. These non-executive directors were drawn by the City from the ranks of the Cape Town private sector. CTS has been mandated by its 100% shareholder, inter alia, with the full commercialisation of the stadium.

BOARD OF DIRECTORS

As stated above, CTS retain an experienced Board of non-executives Directors who perform an oversight function over the governance and business affairs of CTS as contemplated by the Companies Act, 2008 (Act No. 71 of 2008); the Memorandum of incorporation (“MOI”) of the Company, the City contractual mandate set out in the SDA and the principles enshrined in King IV.

The strategic focus of the Board remains the financial sustainability of CTS, the maximisation of its commercial potential and the alignment with and promotion of the core drivers of the City’s current Integrated Development Plan.

THE CURRENT DIRECTORS OF THE BOARD ARE:

Mr. Peter-John Veldhuizen (Chairman)
Ms. Viola Manuel (Vice-Chairman)
Ms. Limia Essop
Mr. Martin van
Staden Mr. Samkelo
Blom
Mr. Johan Dique

COMMITTEE AND SUBCOMMITTEES

The following CTS Board sub-committees have been established and have continued to perform their respective functions in terms of the relevant Board approved Terms of Reference, Board directives, applicable law and the principles enshrined in King IV:

Audit & Risk Committee

- Ms. Viola Manuel (Chairman)
- Mr. Johan Dique
- Mr. Rowan Nicholl
- Ms. Someshni Barnes
- Ms. Lindiwe Ndaba

HR, Social & Ethics Sub-Committee

- Mr. Samkelo Blom (Chair)
- Ms. Limia Essop
- Mr. Peter-John Veldhuizen
- Ms. Viola Manuel

Events, Marketing & Communication Sub-Committee

- Mr. Martin van Staden (Chairman)
- Ms. Viola Manuel
- Ms. Limia Essop

KEY STAKEHOLDERS

CTS continues to enjoy the support of and conducts business with an ever expanding range of stakeholders and stakeholder groups. These include:

| | |
|---|--|
| <p>Governance</p> <ul style="list-style-type: none"> • The City of Cape Town • The Western Cape Government • CTS Board Members | <p>CTS Staff</p> <ul style="list-style-type: none"> • Full-time staff • Fixed term contract staff • Casual event staff |
| <p>Clients/Customers</p> <ul style="list-style-type: none"> • Spectators/event attendees • International Sports & Entertainment Rights Holders • Local Sports & Entertainment Rights Holders • International & domestic sports & recreational controlling bodies • Professional Sports Franchises (e.g. WPR, CT City, Kaizer Chiefs FC) • International & local music concert promoters & managers • International & local event organisers/managers • International & local production companies • International & local sponsors • International & local corporates • International & local advertising companies • International & local members of the motion picture (film) industry • Cultural organisations • Religious groups • Political organisations • National and International Conference Organisers | <p>Media</p> <ul style="list-style-type: none"> • International & local print media • International & local broadcast media (TV & Radio) • Industry and mainstream online media • Social media platforms • Regional news media • Regional radio stations <p>General Public</p> <ul style="list-style-type: none"> • Ratepayers organisations • Cape Town community • Western Cape Community • National and International visitors <p>Business Partners/Associates</p> <ul style="list-style-type: none"> • 3rd party professional service providers • 3rd party vendors / suppliers |



CAPE TOWN STADIUM

4 GOVERNANCE



4 GOVERNANCE

4.1 KING IV

As an organisation, CTS, its Board of Directors and management has adopted and will continue to conduct its business operations within the ethical, moral & compliance principles as set out in King IV. The CTS Board, its members and management will continue to place a strong focus on the upholding of high standards of corporate ethics, fiscal management and corruption-free practices.

4.2 POLICY MAKING

The CTS Board will continue to actively, with the assistance of CTS management, develop and approve corporate business policies for CTS which are aligned with the principles enshrined in King IV.

Two new policies have been developed and approved to date by the Board during the current 2019/20 financial year:

- Risk Policy
- Cost Containment Policy

The following existing policies were subject to review and amendment and approval by the Board during the period under review:

- Directors and Audit Committee Members' Remuneration Policy;
- Supply Chain Management ("SCM") Policy.

Furthermore, the annual review of the followings existing policies was concluded with no amendments:

- Code of Ethics Policy;
- Health & Safety Policy & Standard Operating Procedures;
- Entertainment Policy;
- Hospitality Suite Policy;
- Business Travel & Subsistence Policy;
- Gift Policy.

In addition to the above, CTS management developed and the Board approved the Terms of References for the various Committees and sub-committees referred to above.



CAPE TOWN STADIUM

5 CTS – PURPOSE & SERVICE MANDATE



5 CTS – PURPOSE & SERVICE MANDATE

5.1 KEY ASPECTS OF REQUIRED SERVICE DELIVERY

As previously reported, a final SDA was signed between the City and CTS on 15 November 2018. CTS continues to comply with its contractual obligations set out therein.

5.2 SERVICE DELIVERY AGREEMENT BETWEEN THE CITY AND THE CAPE TOWN STADIUM

The salient provisions of the SDA between the City and CTS, are captured in the following table:

TABLE 1 – CTS ME SDA OVERVIEW

| | |
|--------------------------------|---|
| Period of agreement | The City may, at its sole discretion, extend the Service Provider's (ME's) appointment for a further period of 49 years. Then say effectively 50 years from commencement date. |
| Funding | The City will provide the grant/allocation to cover CTS operational expenditure in terms of an approved budget and provide support services for the first three years. The stadium will be responsible for all maintenance which will be based on the City's maintenance standards. The City will be liable for all capital expenditure, including additional hospitality suites. |
| Staffing | The City will second staff members to the ME with the concurrence of the staff members concerned. Staff currently employed at CTS will remain as City employees, will be paid by the City and will receive their standard benefits including bonuses and leave pay. The ME may appoint additional staff. |
| Services to be Provided | <ul style="list-style-type: none"> • General facility maintenance & event support operations • Events and entertainment services management • Commercialisation, marketing and hospitality management • Finance, legal and administration management |
| Ownership and Control | The City of Cape Town is the 100% shareholder. |
| Oversight Processes | The Finance Directorate (Treasury Department) of the City monitors the SDA and related performance and compliance of the municipal entity. |
| City's Obligations | The City must provide dedicated and prioritised support with regards to accounting, financial management and budgeting per MFMA, including utilisation of the SAP (Systems, Applications and Products) System as used by the City and Supply Chain Management support, legal, company secretary, brand management and communication. In addition, the City must provide dedicated and prioritised services in regard to human resource management support, as well as internal audit and risk management support including oversight over the service provider's audit committee. |

The following operational deliverables in terms of the SDA continue to be executed in terms of the provisions of the SDA between the City and CTS:

5.2.1 GENERAL FACILITY OPERATIONS

Asset management and maintenance: ICT services and infrastructure support (including ticketing, advertising, audio-visual, safety and security, capital projects, refurbishment and investment projects.

5.2.2 EVENTS AND ENTERTAINMENT SERVICES MANAGEMENT

Bowl and non-bowl event scheduling; planning and execution; development and hosting of signature events; managing of events industry and service provider requirement; events leveraging and bidding processes, etc.

5.2.3 COMMERCIALISATION, MARKETING AND HOSPITALITY MANAGEMENT

Advertising; merchandising; supplier and pouring rights; ticketing; hospitality; sponsorships; tourism; marketing of bowl and non-bowl facilities; property development and management; commercial legal services.

5.2.4 LEGAL HR AND ADMINISTRATION MANAGEMENT

Establishment and management of structures, systems and processes with regards to legal, governance, HR and administration and such additional services as the City may require from time to time.



CAPE TOWN STADIUM

6 EXECUTION OF CTS SERVICE DELIVERY MANDATE

6 EXECUTION OF CTS SERVICE DELIVERY MANDATE

In order to guide the implementation of the City mandate per the SDA, the following strategies and implementation plans are in the process of being rolled-out at CTS:

- Commercialisation Strategy and Implementation Plan;
- Marketing, Communication and Events Acquisition Strategy and Plan;
- CTS Maintenance Strategy and Plan.

6.1 COMMERCIALISATION

The following steps are, inter alia, being undertaken towards the full activation of the following identified commercial opportunities at the CTS occasioned by the establishment of CTS:

IDENTIFICATION OF FULL SPREAD OF COMMERCIAL OPPORTUNITIES CURRENTLY AVAILABLE TO CTS

| | |
|--|---|
| <ul style="list-style-type: none"> • Naming rights partnership • Stadium bowl quadrant/stand sponsorships • Hospitality, catering & banqueting services • Liquor warehousing & liquor distribution • General food & beverage concessions • Activation of Commercial Parking opportunity • Leasing of office & retail space inventory • Event related equipment and asset rentals | <ul style="list-style-type: none"> • Pitch level & first tier electronic (LED) advertising • Pouring rights sponsorships • Value in Kind & preferred product suppliers • Event day acquisition & hosting • CTS ticketing & hospitality sales • Commercialisation of commercial & retail office space inventory • Conferencing & banqueting services • Film & advertising shoot rentals & support services |
|--|---|

An overview of the CTS Partially Out-sourced Commercialisation Implementation Strategy to give effect to the City's full commercialisation mandate has already been canvassed above. In essence it has been determined which of the identified commercial opportunities were to be initially outsourced and which would be provided in-house. The naming rights tender was the first out-sourcing tender to be put out and the process of securing a lucrative naming rights partner for CTS is well advanced. Seven (7) commercial tenders have already reached the conclusion of the tender bid evaluation phase and will shortly be assessed by a Bid Adjudication Committee ("BAC"). The detail of this process will be canvassed later in the report.

It is anticipated that all of the above commercial tenders will have been successfully activated during the financial period covered by this report.

The securing of a premium anchor tenant in the form of WPR during the period under review will provide impetus to the CTS commercialisation process.

6.2 INTEGRATED EVENT ATTRACTION

CTS will continue to focus on retaining long term clients and seeking multi-year agreements with prospective new clients. CTS will also endeavour to seek partnerships with other role players to secure major events for CTS and the City. It will also continue with its new event design initiatives for the purposes of marketing same to its existing event organiser customer base.

6.3 INTEGRATED BRAND, NICHE MARKETING, PUBLIC RELATIONS (“PR”) AND COMMUNICATION

CTS will continue the implementation of the following developed, board approved strategies, plans and activities:

- CTS Marketing Plan
- Social Media Strategy Plan
- The leveraging of its new stand-alone website and Instagram account

A full overview of the activities of the brand, niche marketing, PR and corporate communication operations of CTS is set in the departmental overview section of this report (below).

6.4 INTERNAL COMPANY SERVICES – ADMINISTRATION, LEGAL & HUMAN RESOURCES

The organisational restructuring of CTS has been completed and is in the process of being implemented in line with the CTS Board strategic planning of all CTS Departments. CTS’s corporate governance structure and systems have been established and are in the process of full implementation. In this regard, CTS is in the process of appointing an experienced out-sourced Company Secretariat service provider via a tender process. It is envisaged that the new Company Secretariat will be in place prior to 30 June 2020. An overview of the planned activities of the new Company Secretariat is set in the departmental overview section of this business plan (below).

6.5 FACILITY OPERATIONS

A Maintenance Strategy with a detailed maintenance and scheduled program has been implemented per the current CTS Business Plan. The Board approved the strategy which will continue to guide strategic, preventative and general maintenance activities at CTS.



CAPE TOWN STADIUM

7 SWOT ANALYSIS

7 SWOT ANALYSIS

The SWOT analysis of the current CTS Business Plan has been re-assessed and has been updated as follows:

| | |
|---|---|
| <p>Strengths</p> <ul style="list-style-type: none"> • World Class, iconic facility located in an internationally popular tourist City • Strength of hard currencies against the SA Rand- attractive to foreign event organizer clients • Safe & secure facility • Environmentally friendly and Well-maintained facility • Excellent location adjacent to primary City tourist hub • Excellent advertising exposure adjacent to high usage road transportation routes • Good access to public transportation & extensive parking facilities within precinct • Versatile, multipurpose functionality • “Clean” stadium - multiple commercial /advertising opportunities with better returns • Dedicated and knowledgeable staff • Established long term client base • Reliable in-house service providers • Organisational restructuring geared for full commercialisation of stadium • Implementation of various commercialisation tenders positioning the entity to optimise earning potentials • Stable Board & senior management structure • “Clean” Audit report • Stand-alone auxiliary power system sufficient to power -up entire stadium in event mode | <p>Weaknesses</p> <ul style="list-style-type: none"> • MFMA compliance requirements which although reduced with establishment of ME will still impact, in part, on competitiveness and agility • Low brand awareness - the CTS ME as a brand separate from the City is only in the process of being established now • High cost of City Support Services for events at stadium – negative to prospective major event clients • Under-staffing and its impact on redundancy planning • High turn – over of staff at certain levels of the organisation and the resultant gap in service • Lack of succession planning • Ability to retain skilled, experienced staff-particularly those on fixed-term contracts • Historic lack of in-house major stadium commercialisation and marketing skills • Reliance on City Capex funding • Location of Cape Town – long haul destination |
| <p>Opportunities</p> <ul style="list-style-type: none"> • 7 new commercialisation tenders have been pursued and are close to being appointed • Switching on of Naming Rights sponsorship is nearing finalization • Bespoke CTS commercialisation model has been developed, approved by the Board and is currently being implemented • WPRU has been secured as a premier anchor tenant. Heads of Agreement has been signed by both Parties • The process of compiling the formal Anchor Tenant Agreement with WPR has been initiated • The Tenant lease agreement i.t.o. WPR office space at CTS is currently being negotiated • Leasing of commercial rental space tender • Multi- year event hosting agreements with sporting and entertainment bodies • The establishment and initiation of the events acquisition function within the organisation will see new business being attracted to the CTS | <p>Threats</p> <ul style="list-style-type: none"> • Historical and on-going weakness of Rand – impacting local sports & music promoters to attract high quality international events • Instability of power generation by the state-owned entity ESKOM • The instability of the Rand and the current contracted local economy • Highly competitive major stadium event hosting environment • With the exception of a few major high attendance professional soccer events, nationwide decrease in spectator attendances at events due to local economic contraction • Shortage of local expertise in the stadium specific event delivery and commercialisation skills labour market • On-going crime environment in South Africa is making it difficult to attract international artists/ international sporting event rights holders. |



CAPE TOWN STADIUM

8 MACRO ENVIRONMENTAL ANALYSIS



8 MACRO ENVIRONMENTAL ANALYSIS

A review and update of the current high level macro-environmental (PESTEL) operating environment analysis, originally undertaken in terms of the current 2019/20 business planning period, was undertaken. Amendments in respect of the impacts of the current and potential operating environment on the CTS business operations have been affected to the original analysis.



Reference: www.business-to-you.com/scanning-the-environment-pestel-analysis/

The high-level findings of the updated PESTEL analysis were as follows:

8.1 POLITICAL

- A general synergy with the City;
- Stepping down of the previous Executive Mayor Patricia de Lille and the appointment of her successor Alderman Dan Plato
- Impact of 2019 National General Elections;
- Global political instability;
- Lack of National Government support.

8.2 ECONOMIC

- Weakening Rand
- Exchange rate fluctuations
- Weakened economy that impacts on buying/spending power of consumers
- Instability of power generation by state owned ESKOM
- High rates of un-employment and poverty
- Poor international perceptions of SA's credit stability
- Perceived impact of Stadium's cost on the Cape Town ratepayer
- Increased international and domestic travel/transportation costs
- Upward trend in fuel (diesel, petrol & gas) prices
- Exponential increases in utility (energy & water) costs

8.3 SOCIAL

- Antipathy towards the CTS from certain quarters of the Cape Town community
- Cultural differences in Cape Town community
- Job creation
- Potential apathy of WPR supporters and an unwillingness to move to a new stadium

8.4 TECHNOLOGICAL

- Impact of social media platforms
- Impact and reliance on mobile technology
- The challenges of rapidly changing technological advances
- Lack of national infrastructure required to support such technologies
- Increased cyber-hacking risks

8.5 ENVIRONMENTAL

- Water shortages/restrictions
- High rates of crime
- Event related light pollution
- Noise attenuation
- Carbon footprint
- Air pollution (increased use of diesel generators due to ESKOM power outages)
- Food integrity
- Event related littering
- High rates of event related plastic usage
- High compliance costs
- On-going ESKOM power outages

8.6 LEGAL

- Wide-ranging National, Provincial and Local Authority legislative compliance framework applicable to CTS
- Impact of SASREA compliance
- Inconsistency in interpreting the application of the SASREA act
- Environmental protection compliance
- OHSH Compliance impact



CAPE TOWN STADIUM

9 DEPARTMENTAL PLANS

9 DEPARTMENTAL PLANS

9.1 MARKETING, BRAND AND EVENTS ACQUISITIONS

This Department has recently been re-structured and re-named as part of the overall organisational restructure of CTS.

9.1.1 DEPARTMENTAL MANDATE

This Department is currently and will continue to execute its mandate as follows:

- The driving of all identified aspects relating to the management of the marketing and brand components of CTS
- The procurement/acquisitioning of profitable events

9.1.2 HIGHLIGHTS

The highlights of the Marketing, Brand and Events Acquisition Department of CTS to date, have been as follows:

- The development and approval of a Social Media Strategy
- The establishment and management of a stand-alone CTS website (capetownstadium.co.za) and the on-going administration thereof. This remains the single point of entry into the business of CTS for all event bookings requirements. It has become a key business catalyst for CTS
- The management and administration of the Instagram profile @capetownstadium to promote events and to showcase the beauty and versatility of the facility
- Continued management and ensuring adherence to the brand and corporate identity of the new business entity

9.1.3 MARKETING AND BRAND MANAGEMENT

9.1.3.1 Overview

The Integrated Brand Management, Niche Marketing, PR and Communications Strategy was developed and approved by the CTS Board for implementation during the 2019-2022 business planning period. The strategy remains in place and CTS is in the midst of the implementation thereof.

In this regard, the following aspects of the strategy have or are in the process of being implemented:

- As previously stated, CTS has successfully migrated to a stand-alone website and the management and maintenance thereof is ongoing
- The CTS Instagram account has been in operation since December 2018, and the management and maintenance thereof is ongoing
- The launch of the LinkedIn account for CTS is imminent. The underlying motivation for the creation of this account is to create a business to business communications platform for CTS
- The first thought leadership video of the CTS CEO, Mr. Lesley de Reuck, has been filmed and is currently being edited. This video (dealing with eco-friendly pest control initiatives at CTS) will be released on LinkedIn

These social media platforms will, inter alia, be utilised as follows:

- To build and grow CTS followers on Instagram and LinkedIn from a zero base to 5% of competitive stadium's followers within a 12-month cycle
- To increase the unique user visits per month to the stadium website
- To reposition the CTS (now managed by a stand-alone Company) as far as public perception and sentiment is concerned
- Generate positive public sentiment on the stadiums social media platform brand pages through, inter alia, prompt and efficient community management, escalations processes, and effective resolutions process
- To generate business leads which will be filtered through the online bookings process.
- To measure statistics based on the performance of social media content and on-line traffic on the 3 new CTS social media platforms

The roll-out of CTS's Integrated Brand, Niche Marketing, PR and Communications strategy, has remained focused on establishing CTS as a leading world class event hosting facility and becoming the premier major international and domestic sporting and recreational venue of choice of major event organisers.

The CTS's Social Media Strategy is playing a key role in the achievement of this goal and will be maintained throughout the period covered by this Business Plan. The ultimate objective of this Social Media Strategy is to elevate the CTS profile. This is and will be achieved by:

- increasing public participation at CTS events
- taking initiatives to entrench the Stadium as "top of mind" with all categories of event organisers
- growing the CTS and stadium brand value
- hosting more corporate events
- hosting increased numbers of major international events

9.1.3.2 Implementation

Implementation of the CTS Integrated Brand Management, Niche Marketing, PR and Communications Strategy and Plan is currently being achieved as follows:

- Increasing the brand awareness of the stadium by utilising social media to showcase CTS's multi-purpose mixed-use facilities and the internationally acclaimed successful events that have taken place there, to corporates and local and international event rights holders and organisers
- It is anticipated that the implementation of this strategy will attract potential sponsors who will rationalize that CTS's social presence is a more lucrative marketing currency than billboard branding
- Managing the public perception of the CTS – the current perception is that the stadium is currently not being utilised to its full potential. By effectively marketing, advertising and communication of up-coming bowl and non-bowl events and functions and the "happenings" at such events across all social media, CTS will negate and turn-around that perception

- Increasing awareness of the stadium as a desired local events venue by showcasing the event space and opportunities to attract local event organisers to utilise the world-class stadium space and facilities
- Promotion of the CTS as an iconic, internationally recognised, world class venue. Active marketing steps through social media and other platforms are being taken to increase the international stature of the stadium, increase attendances and the number of events. This in part is being achieved by actively show-casing how well and professionally major international events are executed by CTS at the stadium

9.1.4 EVENTS ACQUISITIONS

- Following the restructuring of the organisation, the function of events acquisitions was identified as pivotal to the process of maximising the revenue potential of the CTS commercialisation strategy
- The re-engineering of the CTS Commercial functionality and stated focus on the maximisation of all CTS commercial opportunities will allow for the correct service offerings to be in place to cater for all of the needs of event attendees
- It flows that it is imperative for CTS, through its current event acquisitions strategy, in creating the opportunity for attendees to be present at the stadium in large numbers and on a frequent basis
- An events acquisition strategy was finalised and approved by the CTS Board;
- However due to the organisational restructuring of CTS and the expediting of its commercialisation initiatives, a need to re-align the event acquisition strategy has been identified
- This strategy re-alignment process will encapsulate the ideal of retaining recurring business through the:
 - signing of long-term deals with long standing clients
 - looking to those same clients to create additional off-shoot events (albeit on a smaller scale); and by
 - strategically targeting specific events
- This process is underway and is scheduled to be finalised and implemented prior to the end of the current CTS business planning cycle

9.2 COMMERCIALISATION

9.2.1 DEPARTMENTAL MANDATE

The Commercialisation Department's mandate is to optimise revenues and income through the activation and management of all potential income streams at the CTS.

A commercial strategy was approved by the CTS Board of Directors on 6 March 2019. In broad strokes, the strategy included:

- The securing of a naming right partner
- The securing of a premium anchor tenant
- The development of an updated commercial (and financial) model for event-stimulated revenues
- Concluding the City MATR process in respect of the planned exploitation of the commercial office, retail, parking and property development opportunities at CTS

9.2.2 HIGHLIGHTS

Significant progress has been made in respect of the following components of the Stadium's Commercialisation Strategy and implementation plan:

9.2.2.1 Naming Rights Partner

Through the tender appointed out-sourced stadium naming rights facilitator, CTS has identified three viable potential naming rights partners with whom discussions are currently underway.

9.2.2.2 Securing of Premium Anchor Tenant - Western Province Rugby

During the period in review and pursuant to the 2018-2019 CTS business plan, the stadium secured a leading SA Rugby Union franchise, WPR, as a premium anchor tenant.

CTS is the first new build 2010 FIFA World Cup SA™ Stadium to secure a first tier local ("WP Rugby") and international rugby franchise ("The Stormers") at its iconic, modern international facility.

On 18 November 2019, following a comprehensive due diligence process, the City signed a Binding Heads of Agreement ("HOA") with Western Province Rugby ("WPR") - who were already signatories to the agreement on 12 June 2018. In terms of the HOA, WPR is scheduled to take occupancy at the Stadium as of February 2021.

The agreed relocation of WPR to the CTS, the culmination of a lengthy negotiation and due diligence process, has resulted in an equitable, mutually beneficial long-term business relationship for both the City and WPR.

Numerous commercial benefits will accrue to CTS as a result of this major development - not least of all the bolstering of its current events calendar by an anticipated 15 high spectator attendance events per year.

CTS could amongst others, also be the beneficiary of increased rental revenues in respect of a significant portion of its available commercial office space which WPR might also be taking up at the stadium during 2021.

The Parties are currently in the process of formalising the required property rental agreements in respect of the office space.

9.2.3 COMMERCIALISATION STRATEGY AND PLAN

9.2.3.1 Commercial model for event stimulated revenues

The CTS Board approved commercial model referred to earlier in this report is in the process of implementation. Board agreed implementation schedules and timelines remain on track.

All identified commercial tenders in respect of the out-sourced components of the Commercialisation Plan were completed and advertised during October 2019. The advertised commercial tenders included:

- **Concessionaire services** – Food & non-alcoholic beverages, Tender called for the appointment of 3 service providers on a non-exclusive basis;
- **Pouring rights partner** – Exclusive right for its beer and cider product to be sold at the stadium;
- **Concessionaire services - alcoholic beverages.** Tender called for the appointment of 3 service providers, on a non-exclusive basis, to supply & distribute liquor to and at the stadium and its immediate event day precincts;
- **Preferred product suppliers:** Exclusive right to product sales within the stadium and its immediate event day precincts, for a variety of fast-moving food & beverage products including dry snacks, ice cream, cool drinks, water and biltong;
- **Hospitality conferencing and events:** For the appointment of 1 service provider, on a non-exclusive basis, for the provision of all hospitality, conferencing and event services, including:
 - the selling of tickets and hospitality, on behalf of event organisers;
 - the selling of (tickets, hospitality and advertising on behalf of CTS.
- **Liquor distribution services:** For the appointment of an agent to manage the distribution and event day sale of all liquor within the Stadium on behalf of the CTS;

The compulsory tender briefing sessions were well attended and were broadly representative of the industries bidding on the various commercial tenders.

Following an assessment of a sufficient spread of qualifying bids, the tender evaluation process was finalised during December 2019. These will be assessed for award purposes by a Bid Adjudication Committee during the first quarter of 2020.

Where a tender was issued on an “exclusive” basis, allowance has been made for requirements with regards to a “clean” (commercially sterile) stadium.

While each individual tender will generate agreed revenues for CTS, the management of the inter-relationship between the various service providers, will be important. This will ensure that CTS's revenue opportunities are maximised going forward.

While the majority of the transactions will be between the appointed service providers and the end user (general public, hospitality guests), the inter-dependence and quality/level of service aspects will be managed by CTS. In short:

- The successful concessionaire bidders will be required to make use of the CTS appointed preferred suppliers and pouring rights partner. CTS will secure a **rights fee and volume discount benefit** from the pouring rights partner and preferred suppliers for all orders placed
- The successful liquor distribution agent will control all stock entering the stadium and the sale of this stock to service providers, both for public and hospitality guest consumption. The CTS will benefit from all sales through a **product mark up**
- The hospitality and events service provider will be required to utilise all operational suppliers and service providers including security, cleaning and maintenance, with CTS benefitting from a **volume discount on all services rendered**
- The hospitality and events service provider and concessionaires will be required to pay a rights **fee** together with a **turnover fee** for the right to provide hospitality and/or event support services

It is anticipated that all successful services provider bidders noted above will be contracted and in place by the final quarter of CTS's 2019/20 financial year.

Commercial Parking

A commercial parking service provider tender was advertised by CTS during mid-December 2019. The successful tenderer will be responsible to manage all aspects of commercial and event day parking at CTS. It is anticipated that the operator being in place by July 2020.

Commercial Property Rentals

A tender in respect of the utilisation of the available internal CTS retail and office space inventory will be issued by CTS once the office and facility needs of WPR (the subject of a current negotiation between the City, CTS and WPR) are finalised.

9.2.4 MONITORING AND EVALUATION

- All commercial service providers will be monitored and evaluated as per their agreed delivery standards
- Impact of the commercialisation implementation strategy will be measured against set income targets

9.3 OPERATIONS AND EVENTS

9.3.1 OVERVIEW

The Operations and Events Department is a product of the organisational restructure undertaken by CTS to enable the ME to meet its contracted deliverables in terms of its SDA as agreed with the City.

In essence, the former facility operations department of CTS was merged with the Events Department. This had a major operational implication for the former stand-alone facility operations function at CTS.

The Operations and Events Department manages an intelligent stadium where integral sub-systems and technologies are merged via a Human Machine Interface (HMI).

A new structure (as per Annexure A) was conceptualised and developed to enable the restructured Operations and Events Department to deliver on its new mandate.

In reviewing its new scope of works and addressing its new mandate the Operations and Events Department has placed into scope all event management and event operations in order to ensure greater client centricity, promotion of stadium eventing space and total quality management for the optimising of client retention,

The goals of the restructured Operations and Events Department include:

- the optimisation of client centricity
- ensuring business continuity
- quality assurance
- facilities maintenance management
- event support operations inclusive of planning and execution of all minor and major events hosted at CTS
- ITC /Data management
- Safety and Security management
- The promotion of environmental sustainability

9.3.2 MANDATE

The mandate of the Operations and Events Department is to ensure asset preservation and event delivery through facility readiness, integration and coordination.

9.3.3 HIGHLIGHTS

9.3.3.1 Implementation of facility maintenance strategy

The Operations and Events Department has successfully implemented its Board approved Facility Maintenance strategy.

The strategy ensures the focus on and delivery of:

- Preventive Maintenance
- Corrective Maintenance
- Reactive Maintenance
- Emergency Maintenance
- Capital Maintenance
- SASREA infrastructural compliance, as legislated.

9.3.3.2 Event hosting

The Operations and Events Department enjoyed a successful 2019 with its delivery of 105 events consisting of:

- 37 bowl events
- 52 non-bowl events; and
- 16 film shoots

In addition, CTS, during the current business cycle, was recognised by World Rugby™ as having the best stadium operating facilities on the World Rugby HSBC Sevens™ Series circuit.

During 2019, CTS was also nominated as a top finalist (Category: Event of the Year) at the annual 2019 Stadium Business Summit awards ceremony in London in respect of its hosting of the 2nd leg of the World Rugby Sevens™ series during December 2018.

9.3.3.3 SASREA Compliance

As stated earlier in the Executive Summary report, CTS is in possession of a valid and current SASREA Section 8 Existing Stadium Safety and Event Grading certificate. The stadium is graded to host High Risk events, the only stadium in the Western Cape Province to have received this grading.

9.3.3.4 Capital Projects: Suites Construction

A capital budget in the amount of R282 million (including Professional fees) for the construction of the additional 162 hospitality suites referred to earlier in this section was approved by the City during the current business planning cycle. As stated above the Operations and Events Department will be responsible to oversee the delivery of this major capital project.

The construction and projected February 2021 commissioning of the additional hospitality suites will ensure that the CTS will, with reference to the international benchmarking exercise conducted as part of the stadiums original business modelling and planning process post the 2010 FIFA World Cup™, become increasingly competitive in the major international events hosting market.

It will also ensure ample revenue producing hospitality space to accommodate a number of future major international and local events recently secured by CTS i.e.:

- 2 fixtures (including a Springbok Rugby test) during the 2021 British and Irish Lions tour of SA
- The 2022 World Rugby Sevens World Cup™
- Booked high spectator attendance international Music concerts
- The senior professional international and local matches of the recently secured premium anchor tenant at CTS i.e. WPR, as of February 2021

9.3.4 MAINTENANCE STRATEGY DEVELOPMENT & IMPLEMENTATION

Cape Town Stadium (RF) SOC Ltd Operations and Events Department has submitted and received approval the Maintenance Strategy to be implemented for the validity period of this Business Plan. The aforementioned strategy is not only based on stringent fiscal adherence, but incorporated environmental sustainability as a key focus area. Strategic maintenance planning principles health and safety adherence and engineering best practices forms the back bone of this maintenance strategy. The preventative maintenance plan provides a base to get the most efficient use of resources and tools required to maintain the standards set. As the building and plant grows older, a condition and risk evaluation based maintenance approach is incorporated to ensure the optimal use of the available budget.

In order to improve the quality of the service offering for all stakeholders; continuous review, implementation and execution of processes are undertaken. Integration with other business strategies, including events, commercialisation, marketing, etc. must be ensured to ensure successful execution of the Business Plan.

9.3.5 EVENT STRATEGY DEVELOPMENT & IMPLEMENTATION INTEGRATED EVENTS IMPLEMENTATION STRATEGY (IEMS)

In support of the overall CTS vision to be recognised as a world –class multi-functional events facility, the Events component of the Department has identified the need to develop an integrated events implementation strategy and model.

This new model will enable a more efficient, effective, high performing and sustainable event management solution to all bowl, non –bowl and film shoot events hosted at the stadium.

The Integrated Events Implementation Strategy (IEMS) will outline event planning, implementation, event execution and post event engagement. In addition, it will outline the monitoring and evaluation of events held at CTS.

The Strategy will allow for the implementation of innovative and modern standard operating procedures associated with internationally benchmarked international eventing practices. The strategy is underpinned by the following principles:

| PRINCIPLES | OBJECTIVE |
|---------------------------------|--|
| Operational Efficiency | Ensure that the stadium is always in a state of event readiness thus requiring that each operational component of the facility is maintained at its required and expected operational standard, as per the tiers allocated to them. |
| Business Continuity | Ensures the process of creating systems of prevention and recovery to deal with potential operation and event risks to CTS. In addition to prevention initiatives, the goal is to enable ongoing operations before and during the execution of recovery. |
| Client Centric | Means an approach to delivering services that focuses on the customer and ensure that the customer is at the center of the CTS business philosophy, operations and idea development. |
| Quality Assurance | Ensure that CTS adheres to the desired level of quality in respect of event management, operations and facilities maintenance. |
| Financial Sustainability | Ensure competitive, market related pricing structure providing clients with value for money while ensuring maximum profitability and reduced expenditure. |

9.3.6 MONITORING & EVALUATION

The Department will continue to actively monitor and evaluate key performance indicators by introducing a cohesive project management system during the 2019/2020 financial year.

This project management system will aim to introduce an online platform for all management and teams to share relevant operational specific information, plan events and monitor event implementation.

Over and above this, the department will monitor the:

- Percentage spend to budget on facility repairs and maintenance budget;
- Percentage spend to budget on approved repairs and maintenance;
- Percentage compliance with the Occupational Health & Safety Act and Regulations (Act 85 of 1993) as well as SASREA;
- Number of bowl events, non-bowl events, film shoots targets vs actual.

Quarterly reports on the above will be prepared by the Chief Operations Officer for submission to the Chief Executive Officer and Board of Directors.

9.4 INTERNAL COMPANY SERVICES DEPARTMENT

9.4.1 MANDATE

The operational mandate of the Company Services Department is to lead and manage Internal Corporate Services (organisation- wide support services for Human Resources, Administration, Legal and Company Secretariat) and to ensure the provision of efficient and effective services to the organisation.

9.4.2 HIGHLIGHTS

During the current 2019/20 business planning period the CTS Internal Company Services Section achieved and delivered the following:

- Price Waterhouse Coopers (“PWC”) were appointed to assess the functional effectiveness of the current organisational structure to deliver on CTS mandate. The outcome of this exercise is reflected in the Human Resources Overview (below).
- 100% completion of CTS staff declaration

9.4.3 STRATEGY AND POLICY DEVELOPMENT AND IMPLEMENTATION

The following policies were developed by the Department and approved by the CTS Board:

- Cost Containment Policy;
- Revised Supply Chain Management (“SCM”) Policy;
- Revised Hospitality Suite Policy;
- Revised Director’s Remuneration Policy;
- Risk Management Policy.

9.4.4 HUMAN RESOURCES AND ADMINISTRATION

9.4.4.1 Overview

In order to support the CTS Entity’s revised SDA based mandate a new CTS organisational structure was developed.

The restructure was, inter alia, focused on the delivering of the over-arching CTS commercial agenda during the current business cycle. In essence, this structure will be enhancing a culture that is predominantly commercially driven and business orientated.

Due to CTS’s current commercialisation focus, a paradigm shift in HR philosophy and strategy has been required. It is currently being implemented within the internal CTS operating environment.

In this regard, specific commercially based coaching interventions are being sourced for all categories of CTS staff, including senior and middle management. This will assist in the facilitation of the transition of the enhanced focus required from staff towards a primarily commercially driven business agenda.

9.4.4.2 HR OBJECTIVES

The Internal Company Services Department will ensure an environment that will optimise the potential of its HR Capital. It will achieve this through focused skills development & training and will contribute through identified interventions to ensure a highly motivated staff contingent.

The Department is in the process of investigating various avenues available to it in order to develop a staff retention and succession planning strategy designed to retain and develop staff within the organisation. The Internal Company Services Department will ensure the smooth functioning of all other CTS Departments through fulfilling all required HR and admin related support functions.

The Department is providing management with all relevant reports and intelligence that will support decision making within the human resources sphere of management.

9.4.4.3 Organisational structure

A review and interrogation of the historical organisational structure of CTS was undertaken during the current business cycle. A proposed restructuring of the organisation was initiated.

An independent specialist, Price Waterhouse Coopers (“PWC”) was appointed by CTS to assess the then existing structures functional effectivity against the new CTS business Entity’s commercial mandate, identify gaps and advise on a potential re-alignment of its organisational structure.

This project was designed to ensure that the CTS ME would be enabled to deliver on its contractual mandate from the City, as stipulated in the SDA. The process was finalised and a new organisational design for CTS was approved by the Board on 06 March 2019 and was submitted to the City and approved by the City Manager on 12 April 2019. This structure is currently in the process of being implemented.

The CTS Board approved the organisational structure is attached hereto marked Annexure A:

9.4.4.4 Administration and company secretariat function

Secretariat Function

The Internal Company Services Department will coordinate and provide oversight and support to CTS and manage the out-sourced service provider that will be appointed by CTS, effective 1 July 2020, to deliver the CTS functions associated with a Company Secretariat.

The outsourced secretariat will provide the necessary administrative support which will help ensure that the CTS meets its legislative and corporate governance obligations.

Administration

Following the implementation of the new organisational design. The Internal Company Services Department will reassess all processes and procedures in terms of compliance for filing, archiving, stores and stock control and will address any identified shortcomings.

9.5 FINANCE

9.5.1 OVERVIEW

The Finance Department provides a support service to the CTS and is responsible for the financial management of CTS. The core focus of this component of the Department, is to provide a daily finance support function to CTS and to give substance to its financial strategy.

The Department also provides support to the operational team by ensuring that agreed financial models are compiled and that agreed revenue is timeously collected from event clients.

Furthermore, it ensures that suppliers/subcontractors for purchases and/or services rendered are paid timeously through the City's payment system. As CTS is a municipal entity (the City of Cape Town holds a majority shareholding in the company), it has to adhere to relevant provisions of the Municipal Finance Management Act ("MFMA") and associated legislation affecting municipal entities and State-Owned Companies.

This CTS plays an integral role in ensuring that the City of Cape Town's targets set of CTS, in relation corporate governance and external audits, are met.

9.5.2 MANDATE

CTS received its first "clean" unqualified audit report and opinion during the current business cycle and following its first eighteen months of trade following the establishment of the CTS ME. One of the key focuses of the CTS finance team going forward will be to ensure that the CTS continues to achieve an annual "clean" unqualified audit. Other focus areas of the finance team include the following:

- Financial Reporting to management, the CTS Board and Board committees/sub-committees and the City of Cape Town;
- Aligning business operational strategies to budgets and the Board approved finance strategy;
- Supporting the operational team with, inter alia, the financial modelling of all new revenue opportunities;
- Fixed assets management and verification at CTS on behalf of the City of Cape Town;
- Implement and improve on systems, processes and internal controls for all new operational areas in order to ensure good governance

9.5.3 2019 HIGHLIGHTS

Financial Performance

- The 2018/19 financial year was also the CTS's first full year of trading;
- CTS exceeded its approved revenue budget by 18.42%;
- It generated revenues of R 22.2 million against a budget of R 18.7 million.
- Due to its exceeding the revenue target, the CTS achieved a City grant saving of 24.14% against a KPI of 5%, utilising only R 55.1 million against a budget of R 72.6 million.
- Due to improved cost management the CTS achieved a 12.82% saving on its budgeted operational expenditure

9.5.4 STRATEGY DEVELOPMENT & IMPLEMENTATION

As stated above, a key strategic focus of the finance team would be to strive to continue achieving “clean” unqualified annual audit reports for CTS and financial efficiencies.

New commercial revenue streams are scheduled to come on line during the 2020/21 financial year. This will require the development of new systems, processes, controls and financial models and the implementation thereof. Additional control measures will also have to be implemented in order to ensure compliance and to ensure that all new commercial revenue streams are classified, recorded and reported on accurately.

During the 2020/21 financial year, the Department plans to undertake quarterly reviews and reconciliations of all financial records in order to ensure an improved control environment. These controls will facilitate an improved external audit readiness at financial year-end.

Finance will also improve on providing financial reports to line and heads of departments in order to assist with decision making.

9.5.5 MONITORING & EVALUATION

The finance function will continue to monitor budgets against actual spend on a monthly basis and report accordingly. They will also ensure compliance with National Treasury’s reporting standards. The mid-year adjustment budget and annual budget business plan process will also be monitored by ensuring that it meets the compliance requirements of this process.

9.5.6 SUPPLY CHAIN MANAGEMENT

The core function of the Supply Chain Management (SCM) is to ensure that the correct product / services is procured at the right price in order to, inter alia, meet client needs and avoid “fruitless and wasteful expenditure” at CTS. SCM plays a pivotal role at CTS. Amongst others, it is responsible to develop correct specifications for required goods and services and ensuring compliance to SCM regulations. CTS has been supported by the City of Cape Town’s supply chain team in this regard.

It is the intention for the CTS to gradually perform its CTS function in-house with less reliance being placed on the City’s support. The intention is for the CTS to form its own Bid Committee’s consisting of, inter alia, employees of CTS. The transition will be effected by a phased approach with the ultimate aim of establishing its own SCM unit.



CAPE TOWN STADIUM

10 SUSTAINABILITY



10 SUSTAINABILITY

10.1 OVERVIEW

The enhancement of corporate sustainability at CTS is the responsibility of every CTS stakeholder in its everyday dealings at the CTS.

10.2 THE CTS SUSTAINABILITY GOALS

The primary sustainability goals of CTS as identified by CTS management include:

- Independent recognition as an international benchmark for sustainable major stadiums;
- The creation of and planning for sustainable events whilst ensuring the minimisation of CTS's:
 - carbon footprint
 - waste management (including recycling)
 - noise and light pollution
 - non-sustainable event build-outs & break-downs

10.3 SOCIAL SUSTAINABILITY

CTS will continue to contribute to the City of Cape Town's IDP goals of:

- Job creation
- Contribution to the local and regional economy
- Skills development
- Mentorships
- Support of entrepreneurial endeavour of emerging small businesses

10.4 ENVIRONMENTAL SUSTAINABILITY

CTS has implemented and will continue to enforce responsible practices that will contribute to the environmental sustainability.

10.4.1 CTS ENVIRONMENTAL SUSTAINABILITY INITIATIVES

Environmental sustainability programs that have run during the current business planning period will be sustained. As canvassed in the Operations and Events Department section (above), these include:

- water conservation
- utilisation of energy efficient light sources
- stadium cleaning in accordance with ISO 9001 quality standards
- developing and enforcing a CTS specific event environmental sustainability guide, according to ISO 201221, with event organiser users of the stadium
- scientific micro-management of pitch moisture content - If moisture levels are adequate, no pitch watering will take place
- continued utilisation of liquid foliar fertilizer applications which do not require irrigation to assist dispersion and dissolving into the soil
- The application of a liquid fertilizer branded “Humate Sure” to the pitch on a monthly basis. This product helps moisture to remain in the soil given its coalescence around the roots of the grass plant



CAPE TOWN STADIUM

11 CTS BUDGET & FINANCIAL PROJECTIONS



11 CTS BUDGET & FINANCIAL PROJECTIONS

11.1 CTS BUDGETING

The CTS has completed its first full year of trade during the 2018/19 year as a ME and the historical financial information can now be used in preparation of the budgets.

The following principles will under-pin the budgeting and business planning process:

- The previously identified internal stadium commercial revenue opportunities
- The new additional revenue streams occasioned by the establishment of the more commercially flexible governance and management vehicle to operate the stadium
- The phased implementation of the historically identified and new commercial revenue opportunities (canvassed earlier in this report)
- Historical expenditure and revenue trends drawn from the City's SAP accounting system
- A focus on cost saving initiatives within the internal operating environment
- The business need for modest capital expenditure (any required major CAPEX need will be funded by the City)
- A consideration of CTS's SWOT analysis (an updated version of which is considered earlier in this report)
- The impact of inflation
- City guidelines

11.2 BUDGET PROJECTIONS

Budgeted expenditure of R 102.5 million against budgeted revenues of R 35.5 million has been forecasted for CTS for the 2020/21 financial year.

A copy of the 2019/20 – 23/24 budget has been attached here to marked ANNEXURE"C"

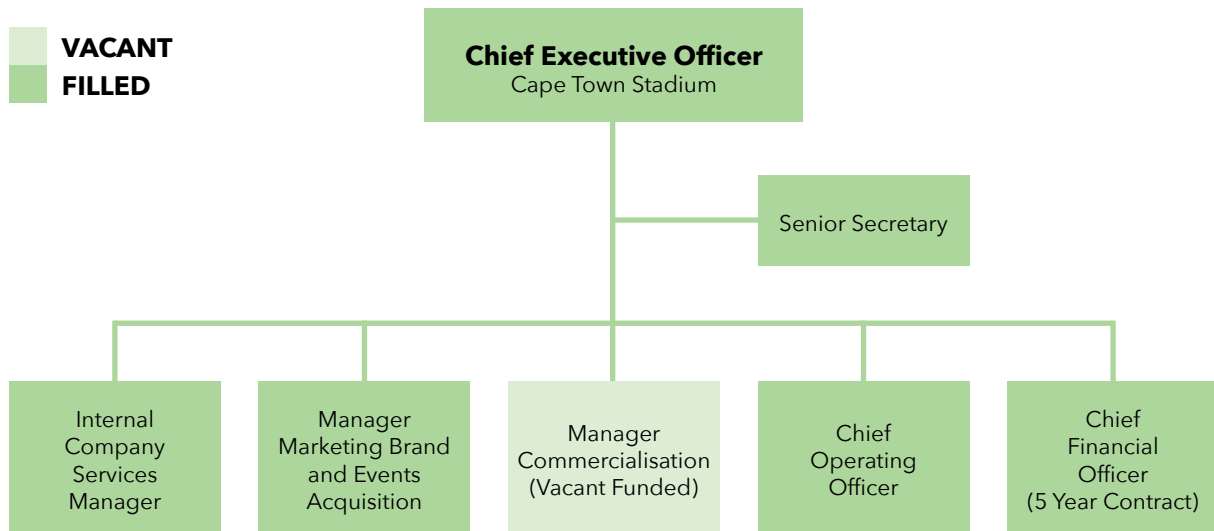


CAPE TOWN STADIUM

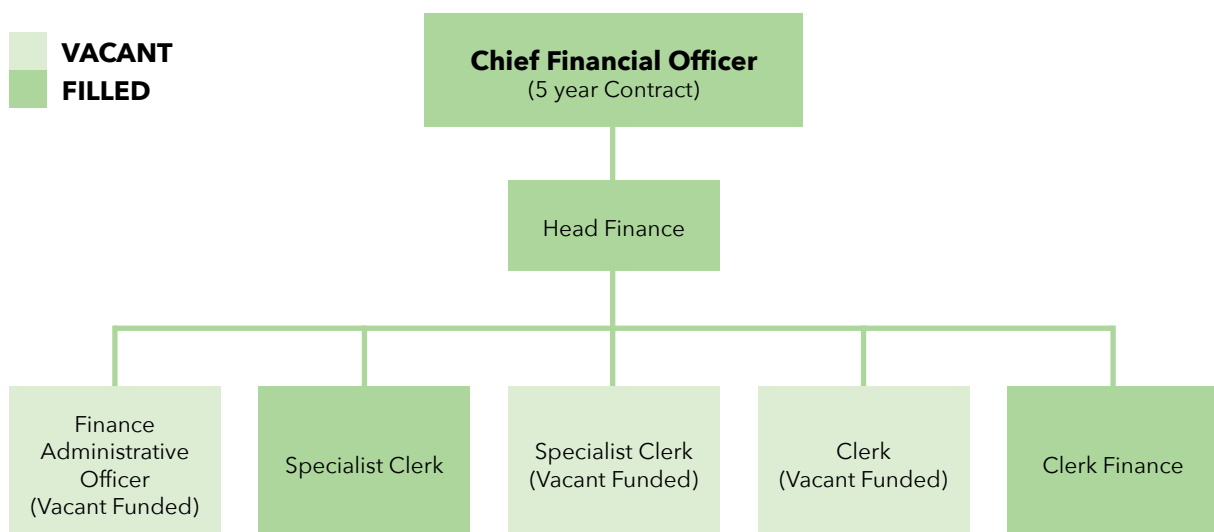
THANK YOU



OFFICE OF THE CEO - CAPE TOWN STADIUM

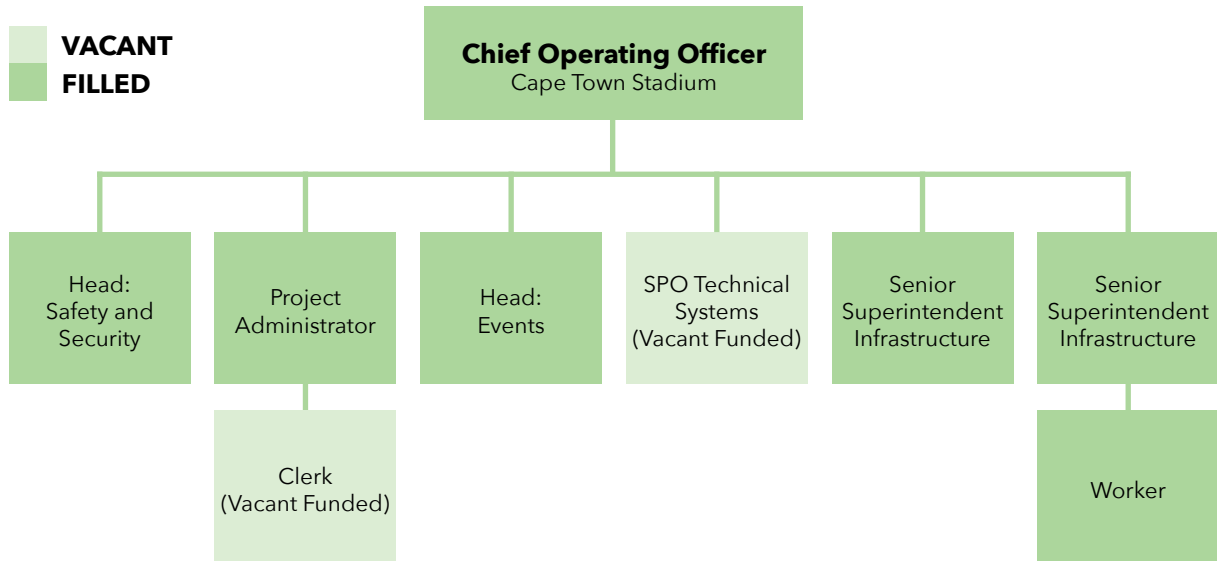


FINANCE CTS



OPERATIONS CTS

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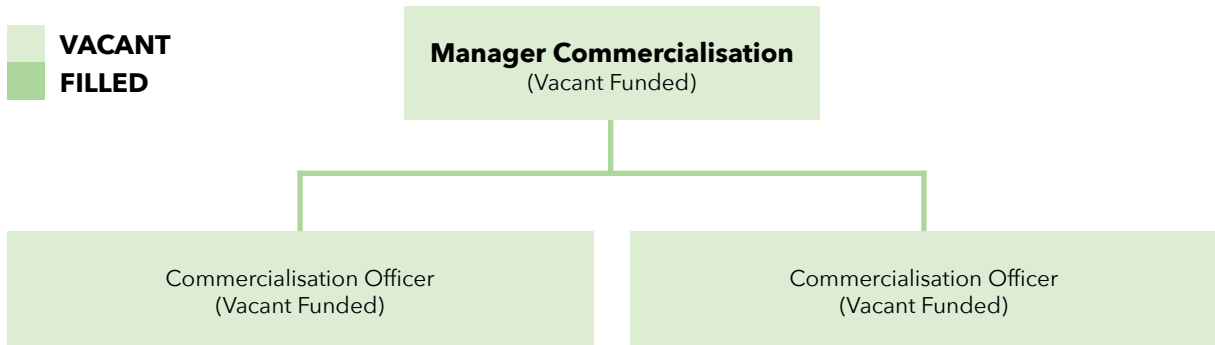
OPERATIONS - EVENTS CTS

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COMMERCIALISATION

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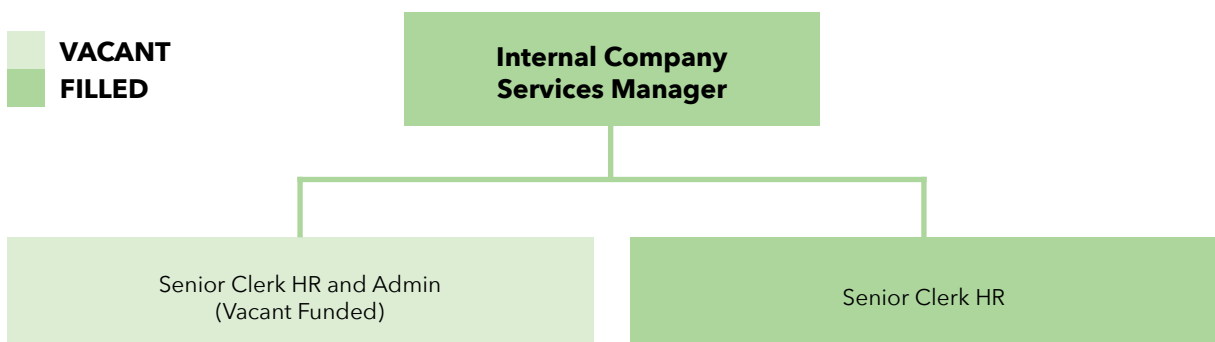
MARKETING BRAND AND EVENTS ACQUISITION

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INTERNAL COMPANY SERVICES

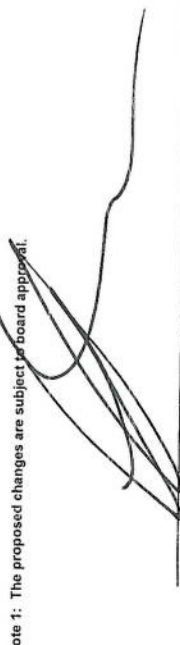
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| Annexure B | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------|---|---|------------------------------------|--------------------|---|--|---------------------------|----------------------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|----------------------|-----------------------------|---|-------------|-------------|-------------|-------------|-------------|--------------------|
| No. | Alignment to IDP | | MID-YEAR PROPOSED QUARTERLY TARGET | | | | | | | | | | | | | | | | | | | | | | |
| | Pillar & Corporate Objective | IDP Programme | Indicator | Department | Corporate Objective | Indicator (to include unit of measure) | Baseline 2017/2018 | Annual Target 30 June 2019 | 30 Sept 2018 | 31 Dec 2018 | 31 Mar 2019 | 30 June 2019 | 30 Sept 2019 | 31 Dec 2019 | 31 Mar 2020 | 30 Jun 2020 | 31 Mar 2020 (Note 1) | 30 June 2020 (Note 1) | Adjustment Budget Mobilisation (Note 1) | 2019 / 20 | 2020 / 21 | 2021 / 22 | 2022 / 23 | 2023 / 24 | Responsible Person |
| 8 | SFA 1: The Opportunity City Objective 1.1 | 1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets | N/A | CT Stadium (RF) | Positioning Cape Town as a forward-looking, globally competitive City | Number of non-bowl events hosted | 13 | 40 | 12 | 27 | 34 | 40 | 14 | 30 | 40 | 50 | 40 | 50 | N/A - Not proposed changes. | 50 | 50 | 50 | 50 | 50 | Ashraf Moorad |
| 9 | SFA 1: The Opportunity City Objective 1.1 | 1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets | N/A | CT Stadium (RF) | Positioning Cape Town as a forward-looking, globally competitive City | Number of film/skill shoot events hosted | 4 | 10 | 2 | 5 | 8 | 10 | 4 | 10 | 12 | 15 | 12 | 15 | N/A - Not proposed changes. | 15 | 15 | 15 | 15 | 15 | Ashraf Moorad |
| 10 | SFA 1: The Opportunity City Objective 1.1 | 1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets | N/A | CT Stadium (RF) | Positioning Cape Town as a forward-looking, globally competitive City | Percentage of approved commercial/retail programmes implemented as per approved plan | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | N/A - Not proposed changes. | 100% | 100% | 100% | 100% | 100% | Ashraf Moorad |
| 11 | SFA 1 Opportunity City Objective 1.3 | 1.3a Skills investment programme | 1.G | Corporate Services | 1.3 Economic Inclusion | Percentage budget spent on implementation of WSP (NKPI) | 137% | 95% | 10% | 30% | 70% | 95% | 15% | 35% | 65% | 95% | 65% | N/A - Not proposed changes. | 95% | 95% | 95% | 95% | 95% | Werner Kuhn | |
| 12 | SFA 4 Inclusive City Objective 4.3 | | 4.E | Corporate Services | 4.3 Building integrated communities | Percentage of people from employment equity target groups employed | 0% | 80% | 80% | 80% | 80% | 80% | 80% | 80% | 80% | 80% | 80% | N/A - Not proposed changes. | 80% | 80% | 80% | 80% | 80% | Werner Kuhn | |
| 13 | SFA 5 Well-Run City | | N/A | Corporate Services | 5.1 Operational sustainability | Percentage of absenteeism | 5.99% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | N/A - Not proposed changes. | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | ≤ 5% | Werner Kuhn | |
| 14 | SFA 5 Well-Run City Objective 5.1 | | | Corporate Services | 5.1 Operational sustainability | Percentage of Declarations of Interest completed | 100% | 100% | 25% | 50% | 75% | 100% | 50% | 75% | 95% | 100% | 95% | N/A - Not proposed changes. | 100% | 100% | 100% | 100% | 100% | Werner Kuhn | |
| 15 | SFA 5 Well-Run City Objective 5.1 | | 5.B | Finance | 5.1 Operational sustainability | Opinion of the Auditor General | UNQUALIFIED WITH COMMENTS | Clean Audit | Annual Target | Annual Target | Annual Target | Clean Audit | Annual Target | Annual Target | Annual Target | Annual Target | Annual Target | N/A - Not proposed changes. | Clean Audit | Clean Audit | Clean Audit | Clean Audit | Clean Audit | Werner Kuhn | |

NKPI National Key Performance Indicator per Regulation 10 of the Municipal Systems Act

Note 1: The proposed changes are subject to board approval.



Cape Town Stadium (RF)
CEO: Lesley De Reuck

14.01.20

Date

14 January 2020

Date

Chairman: Cape Town Stadium (RF)

Peter John Veldhuizen

CAPE TOWN STADIUM (RF) SOC LIMITED

SCORECARD DEFINITIONS, 2017 TO 2022



(2019/20 year review)

| INDICATOR | IDP Objective | INDICATOR DEFINITION |
|--|---------------|--|
| Percentage reduction of the grant allocation from the City of Cape Town | 1.1 | This indicator will measure the percentage reduction in the grant allocation received from City of Cape Town. |
| Percentage achievement of projected revenue | 1.1 | This indicator will measure the achievement of the annual projected revenue as per the latest approved budget. |
| Percentage compliance with approved Repairs and Maintenance program | 1.1 | The indicator measures the approved repairs and maintenance programme as per the Service Delivery Agreement between the Cape Town Stadium (RF) SOC and the City of Cape Town. Repairs and Maintenance refers to all facilities and equipment at the Cape Town Stadium. Repairs and maintenance is further defined as Preventive Maintenance, Corrective Maintenance, Reactive Maintenance, Emergency Maintenance as well as repairs of damages after events. All repairs and maintenance is done from the operating budget. |
| Percentage spent on Repairs and Maintenance Budget | 1.1 | <p>The percentage reflecting year to date spent in relation to the total approved repair and maintenance budget.</p> <p>Note that 'in-year reporting' during the financial year will be indicated as a trend (year-to-date spend). Maintenance is defined as the actions required for an asset to achieve its expected useful life. Planned maintenance includes assets inspection, and measures to prevent known failure modes, and can be time or condition-based.</p> <p>Repairs are actions undertaken to restore an asset to its previous condition after failure or damage. Expenses on repairs and maintenance are considered operational expenditure.</p> <p>Primary repairs and maintenance costs refer to repairs and maintenance expenditure incurred for labour and materials paid to outside suppliers. Second repairs and maintenance costs refer to repairs and maintenance incurred for labour provided in-house/internally.</p> |
| Percentage compliance with Occupational Health and Safety Acts and Regulations | 1.1 | This Indicator measures compliance against the Occupational Health and Safety Regulations on event and non-event days as well as contractors at the Cape Town Stadium. |
| Number of marketing interventions implemented as per the approved Marketing Plan | 1.1 | The Marketing Plan outlines the methodology to be used to market the Cape Town Stadium. This will be measured by the number of marketing activations and interventions achieved per quarter through the various marketing channels i.e. printed ads (events magazines, brochures, posters etc.), digital content (for stadium big screens and digital boards aired during events), social media, online presence etc. |
| Number of bowl events hosted | 1.1 | The indicator measures the number of bowl events hosted. Bowl Events relates to events that utilise the pitch and/or the seating areas around the pitch. |
| Number of non-bowl events hosted | 1.1 | The indicator measures the number of non-bowl events hosted. Non-Bowl events relates to all other spaces utilised within the Stadium for events such as Conferences, Product Launches, |

CAPE TOWN STADIUM (RF) SOC LIMITED

SCORECARD DEFINITIONS, 2017 TO 2022



(2019/20 year review)

| INDICATOR | IDP Objective | INDICATOR DEFINITION |
|--|---------------|--|
| | | Exhibitions, Weddings etc. |
| Number of film/still shoot events hosted | 1.1 | The indicator measures the number of film/still events hosted. Still and Film Shoots relates to the use of specific areas within the stadium for commercial and non-commercial purposes. |
| Percentage approved commercialisation programmes implemented as per approved plan | 1.1 | The indicator measures the implementation of the commercialisation programme as per the approved plan. Commercialisation programs is the process of introducing new products/programs to the market, principally for financial gain. |
| Percentage budget spent on implementation of WSP (NKPI) | 1.3 | The Workplace Skills Plan outlines the planned education, training and development interventions for the organisation. Its purpose is to formally plan and allocate budget for appropriate training interventions that will address the needs arising out of local government's skills sector plan, the IDP, the individual departmental staffing strategies, individual employees' personal development plans and the employment equity plan. Proxy measure for NKPI. |
| Percentage of people from employment equity target groups employed in the three highest levels of management in compliance with the City's approved Employment equity plan (EE) (NKPI) | 4.3 | The indicator measures the percentage of people from employment equity target groups employed in the three highest levels of management, in compliance with the Cape Town Stadium (RF) approved EE plan. Each directorate contributes to the corporate achievement of targets and goals by implementing its own objectives of quantitative and qualitative goal-setting. |
| Percentage of absenteeism | 5.1 | The indicator measures the actual number of days absent due to sick, unpaid/unauthorised leaves in the department or directorate expressed as a percentage over the number of working days in relation to the number of staff employed. Sick, unpaid/unauthorised leave will include 4 categories namely normal sick leave, unpaid unauthorised leave, leave in lieu of sick leave and unpaid in lieu of sick leave. |
| Percentage of Declarations of Interest completed | 5.1 | The total number of completed declarations of interest as a % of the total number of staff. The target is cumulative over the year. Each employee needs to complete the declaration of interest at least once per year (or when circumstances change), as prescribed by the applicable legislation and Cape Town Stadium (RF) board decisions aligned with City policies/decisions. |
| Opinion of the Auditor General | 5.1 | The 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 is where the auditor, having completed the audit, has no reservation as to the fairness of presentation of financial statements and their conformity with general recognised accounting practice. This is referred to as a 'clean audit'. |

CAPE TOWN STADIUM (RF) SOC LIMITED
SCORECARD DEFINITIONS, 2017 TO 2022



(2019/20 year review)

| INDICATOR | IDP Objective | INDICATOR DEFINITION |
|------------------|--------------------------|--|
| | | Alternatively, the auditor would issue a qualified audit opinion either in whole or in part over the financial statements if these have not been prepared in accordance with general recognised accounting practice, or the auditor could not audit one or more areas of the financial statements. Future audit opinions will cover the audit of predetermined objectives. |

ANNEXURE C1

Draft Budget

CAPE TOWN STADIUM (RF) SOC LIMITED

**Financial Performance
Three year budget 2019/20 - 2023/24**

| Category | Actual 2018/19 | Budget 2018/19 | Original Budget 2019/20 | Adjusted Budget 2019/20 | Budget 2020 vs 2019 | Budget 2020 vs 2019 | Budget 2020/21 | Budget 2021 vs 2020 | Budget 2021 vs 2020 | Budget 2021/22 | Budget 2022 vs 2021 | Budget 2022 vs 2021 | Budget 2022/23 | Budget 2023 vs 2022 | Budget 2023 vs 2022 | Budget 2023/24 | Budget 2024 vs 2023 | Budget 2024 vs 2023 | |
|--|-------------------|-------------------|-------------------------|-------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---|
| | R | R | R | R | R | % | R | % | R | R | % | R | % | R | % | R | % | R | |
| Revenue by Source | | | | | | | | | | | | | | | | | | | |
| Rental of facilities and equipment | 22 125 761 | 14 130 534 | 22 721 000 | 22 721 000 | 8 590 466 | 61% | 20 331 250 | - 2 389 750 | -11% | 46 240 688 | 25 909 438 | 127% | 48 277 960 | 2 037 273 | 4% | 48 126 962 | - 150 998 | 0% | 1 |
| Transfers and subsidies (Grants) | 55 119 794 | 72 660 211 | 71 346 000 | 71 346 000 | - 1 314 211 | -2% | 67 083 176 | - 4 262 824 | -6% | 29 917 849 | - 37 165 327 | -55% | 29 296 367 | - 621 483 | -2% | 29 995 651 | 699 284 | 2% | 2 |
| Other Revenue | 54 296 | 4 600 000 | 200 000 | 200 000 | - 4 400 000 | -96% | 12 584 350 | 12 384 350 | 6192% | 35 911 720 | 23 327 370 | 185% | 45 005 291 | 9 093 571 | 25% | 53 819 257 | 8 813 966 | 20% | 3 |
| Services in kind | 2 378 095 | - | - | - | - | - | 2 596 939 | - | - | 2 713 801 | 116 862 | 5% | 2 835 922 | 122 121 | 5% | 2 963 539 | 127 617 | 4% | |
| Total Revenue | 79 677 946 | 91 390 745 | 94 267 000 | 94 267 000 | | | 102 595 715 | | | 114 784 058 | | | 125 415 539 | | | 134 905 408 | | | |
| Expenditure by Type | | | | | | | | | | | | | | | | | | | |
| Remuneration of board members | 320 076 | 350 000 | 739 200 | 400 000 | 50 000 | 14% | 424 400 | 24 400 | 6% | 460 474 | 36 074 | 9% | 499 614 | 39 140 | 9% | 542 082 | 42 467 | 9% | 4 |
| Other materials | 445 422 | 531 000 | 1 354 200 | 645 000 | 114 000 | 100% | 674 025 | 29 025 | 5% | 704 356 | 30 331 | 4% | 736 052 | 31 696 | 4% | 769 174 | 33 122 | 4% | 5 |
| Contracted Services * | 63 699 524 | 75 399 185 | 80 655 194 | 78 005 094 | 2 605 909 | 3% | 82 666 244 | 4 661 151 | 6% | 92 197 162 | 9 530 918 | 12% | 100 338 814 | 8 141 652 | 9% | 108 680 246 | 8 341 431 | 8% | 6 |
| Other expenditure * | 15 212 924 | 15 110 561 | 11 518 406 | 15 216 906 | 106 346 | 1% | 18 831 046 | 3 614 139 | 24% | 21 422 066 | 2 591 020 | 14% | 23 841 059 | 2 418 993 | 11% | 24 913 906 | 1 072 848 | 4% | 7 |
| Total Expenditure | 79 677 946 | 91 390 745 | 94 267 000 | 94 267 000 | | | 102 595 715 | | | 114 784 058 | | | 125 415 539 | | | 134 905 408 | | | |
| Surplus/(deficit) before taxation | - | - | - | - | | | | | | | | | | | | | | | |
| Taxation | | | | | | | | | | | | | | | | | | | |
| Surplus/(deficit) after taxation | - | - | - | - | | | | | | | | | | | | | | | |

Financial Projections

The 2020/21 financial year has taken into account the first full year of operations of the Cape Town Stadium.

The 2020/21 budget was prepared following a similar approach used in the prior year. The budget takes into account the current market conditions, such as inflation, historical trend analysis, as well as the proposed City budget guidelines. Further details are discussed below:

REVENUE PROJECTIONS

1. Rental of facilities and equipment

Rental of fixed assets in 2020/21 have been budgeted at R20.3million which relates to income to be realised from the proposed new financial model with WPRF being an anchor tenant for five months from February 2021. For the financial year 2021/22 Rental of facilities and equipment is budgeted at a 127% increase on the assumption of securing an anchor tenant and the assumption that the hospitality and concession rights goes live.

2. Transfers and subsidies (Grant)

Per the Key Performance Indicators as agreed upon between the City and the entity, the grant was budgeted at a decrease .

3. Other Revenue

Other revenue comprise of income generated through Stadium Tours, Preferred and commercial Rights, naming rights and Advertising Fees and Parking Fees. An inflationary increase have been applied to Stadium Tours and Advertising Fees. Rights and Advertising Fees has been budgeted to increase with R1.8m due to the preferred and commercial rights and other relevant tenders that have been awarded. Naming rights income will be recognised from 2021/22 financial year. Other revenue to increase with inflation for the outer years.

EXPENDITURE

4. Remuneration of board members

This remained at a budget of 6 board members, adjusted with annual inflationary increases.

5. Other materials

Other materials comprise of fuel, printing and stationary and other material related costs which have been budgeted to increase by 4.5%. An estimate amount have thus been included in the 2019/20 budget and adjusted with an inflation related increase going forward.

6. Contracted Services

Contracted services increase with 6% and takes into account the 8.35% cost of living adjustment increase for seconded employees as well as the filling of all vacant posts as per the board approved macro-organogram

Contracted services consist out of:

- Consultants and professional services, maintenance, outsourced services and staff costs - The budgeted amount for the outer years remains stable with inflationary increases.

7. Other

Other expenditure budget increased with an inflationary increase of 5% and includes IT, electricity, water, licences etc. However it includes the budget for "services in kind" which is for the costs of various services received from the City. A budget of R2.6million has been included as part of services in kind for the 2020/21 year

ANNEXURE C3

CAPE TOWN STADIUM (RF) SOC LIMITED

Draft Budget

Financial Position
Three year budget 2019/20 - 2023/24

| <u>Category</u> | Actual 2018/19 | Budget 2019/20 | Budget 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | R | R | R | R | R | R |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash | 10 789 | 10 789 | 10 789 | 10 789 | 10 789 | 10 789 |
| Receivable from non-exchange transactions | 3 164 800 | 4 185 000 | 5 366 654 | 2 393 428 | 2 343 709 | 5 015 974 |
| Receivable from exchange transactions | 772 172 | - | 1 015 168 | 1 137 052 | 1 243 366 | 1 338 265 |
| Total Assets | 3 947 761 | 4 195 789 | 6 392 611 | 3 541 269 | 3 597 865 | 6 365 029 |
| NET ASSETS AND LIABILITIES | | | | | | |
| Net Assets | | | | | | |
| Accumulatd deficit | - | - | - | - | - | - |
| Current liabilities | | | | | | |
| Payable from exchange transactions | 3 164 800 | 4 195 789 | 5 366 654 | 2 393 428 | 2 343 709 | 5 015 974 |
| Other payables | 782 961 | - | 1 025 957 | 1 147 841 | 1 254 155 | 1 349 054 |
| Total net assets and liabilities | 3 947 761 | 4 195 789 | 6 392 611 | 3 541 269 | 3 597 865 | 6 365 029 |

- - - - -

Annexure D

Legislative Framework: (Legal Services)

1 For the purpose of this document “**laws**” will mean all constitutions; statutes; regulations; by-laws; codes; ordinances; decrees; rules; judicial, arbitral, administrative, ministerial, departmental or regulatory judgements, orders, decisions, rulings, or awards; policies; voluntary restraints; guidelines; directives; compliance notices; abatement notices; agreements with, requirements of, or instructions by any governmental body; and the common law, and “**law**” shall have a similar meaning, including, but not limited to:

1. The Municipal Finance Management Act, 2003 (Act No. 56 of 2003) & Regulations thereto (“MFMA”);
2. The Municipal Systems Act, 2000 (Act No.32 of 2000) & Regulations thereto;
3. The Companies’ Act 71 of 2008 (as amended);
4. The Safety at Sports & Recreational Events Act, 2010 (Act No. 2 of 2010);
5. The Safety at Sports & Recreational Events Regulations of 2017;
6. Disaster Management Act, 2002 (Act no. 57 of 2002);
7. The South African Police Services Act, 1995 (Act 68 of 1995);
8. Criminal Procedure Act, 1977 (Act No. 51 of 1997);
9. Liquor Act, 1989 (Act no. 27 Of 1989);
10. Firearms Control Act, 2000 (Act no. 60 of 2000);
11. Occupational Health and Safety Act, 1993 (Act No. 85 of 1993) and the regulations thereto (including the OHS Act Regulations of 2014);
12. Municipal Asset Transfer Regulations No. 31346 of 2008;
13. Respective electrical, mechanical, civil, structural ect. South Africa Bureau of Standards (SABS of SANS) code of Practise.

CITY OF CAPE TOWN POLICIES AND BY LAWS:

14. Events By-Law, 2010 & amendment thereto (2015) read with City Events Policy (2013);
15. Building Development Management (“BDM”) temporary structure application & approval Requirements, 2015;
16. Community Fire Safety By-Law 2002 as amended;
17. Environmental Health By-Law, 2003 as amended;
18. By-Law relating to Streets, Public Places and the Prevention of Noise Nuisances, 2007 as amended;
19. Outdoor Advertising & Signage By-Law, 2001 as amended (2013 & 2014);
20. Filming By-Law, 2005;
21. Public Parks By-Law, 2010 as amended;
22. Informal Trading By-Law, 2009 as amended (2013);
23. Integrated Waste Management By-Law, 2010;
24. Liquor Trading Days & Hours By-Law (PG 6788 – 10/09/2010 as amended);
25. Community safety; and traffic Control

Annexure E

City of Cape Town Risk Report

Parent Unit
Municipal Entity
Cape Town Stadium
27 November 2019

| Risk Number | Risk Title | Linked Objectives | Consequence | Contributing Factor Title | Existing Control Title | Risk Value | Control Effectiveness | Residual Rating | Movement | Action Plan Title | Due Date | % Complete | Progress Notes | Action Plan Owners |
|-------------|---|--|---|--|---|-----------------------|-----------------------|-----------------|----------|---|------------|------------|---|--------------------|
| 1 | Financial sustainability/viability of the Stadium and inability to commercialise optimally | Commercialisation and marketing management | <ul style="list-style-type: none"> Not meeting financial targets Negative impact on financial sustainability Not meeting SDA mandate Effect on revenue Bigger burden on City/tax payer | Absence of premier anchor tenant / uncompleted negotiations with anchor tenant | Multi-year agreements with event organisers and owners. Negotiated financial models with event organisers to increase utilisation | R23 Million per annum | 60% | 7 | | Detailed contract with WPR to be negotiated and concluded post the signing of the HOA | 2020/06/30 | 5% | [Nicola Jane Anderson - 2019/11/18 12:38 PM] This is dependent on the HOA to be signed. Council has given the permission for HOA to be signed. The timeline for this to be signed is 4 December 2019. | Lesley De Reuck |
| 2 | Human resource capacity constraints | Events and events management | <ul style="list-style-type: none"> Delays in appointment of required staffs Inefficiencies Delays in service delivery Skills gap Inability to implement succession plan Current non financial capacity | Delay in the conclusion of the sign off of the naming rights of the stadium (no offers received - possibly due to lack of a confirmed anchor tenant) | Long term sustainability plan - implement marketing strategy as approved by Board. | R16 Million per annum | 80% | 7 | ↑ | The PSL and Big Concert deals to be concluded | 2019/12/31 | 100% | [Nicola Jane Anderson - 2019/11/18 9:46 AM] The PSL deal has been concluded and a 3 year MOU with Big Concerts has been signed. | Lesley De Reuck |
| | | Provide stadium with general facilities operations | | Current approved structure does not yet have the staffing structure in place to deliver on commercialisation as per SDA | Long term sustainability plan - implement marketing strategy as approved by Board. | R14 Million per annum | 80% | 7 | ↑ | Signing up of a naming rights partner | 2020/06/30 | 85% | [Nicola Jane Anderson - 2019/11/18 2:39 PM] Currently awaiting offers from 3 companies and ongoing discussions being held with 27 other local and international companies. | Lesley De Reuck |
| | | Finance, legal and administration management | | Dependency on Corporate HR for recruitment of approved positions | Current departments fulfilling necessary roles | R16 Million per annum | 80% | 7 | ↑ | The PSL and Big Concert deals to be concluded | 2019/12/31 | 100% | [Nicola Jane Anderson - 2019/11/18 9:46 AM] The PSL deal has been concluded and a 3 year MOU with Big Concerts has been signed. | Lesley De Reuck |
| 3 | Non compliance with legislation | Finance, legal and administration management | <ul style="list-style-type: none"> Non compliance to VAT Act AG finding Non compliance with Companies Act, MFMA and GRAP standards Not meeting legal requirements Penalties and interest Reputational damage Intervention by shareholder | Dependency on part time financial support from City and absence of a full time fully committed CFO | Assistance of the City's Finance Directorate and the current internal department dealing with the financial activities. | Not assessed | 60% | 6 | ↑ | Appoint a full time CFO | 2019/11/30 | 100% | [Nicola Jane Anderson - 2019/11/15 3:43 PM] The CFO has been appointed and will start on 1 Dec 2019. | Lesley De Reuck |
| | | Finance, legal and administration management | | Dependency on part time legal support from the City | Reliance/dependency on City of Cape Town legal team (dedicate legal resource) / regular external legal services procured. | R8.6 Billion | 70% | 7 | ↑ | Company Secretary to be appointed | 2020/06/30 | 10% | [Nicola Jane Anderson - 2019/11/18 10:26 AM] The appointment of a company secretary will be going out on tender. | Lesley De Reuck |
| 4 | Destruction of the stadium infrastructure to the degree that service delivery would be affected | Finance, legal and administration management | <ul style="list-style-type: none"> Reputational damage Delays / cessation of service delivery Financial / revenue impact | Force majeure | Continuity plans and SOP's with various role players in place | R8.6 Billion | 70% | 2 | ↑ | Insurance coverage of the Stadium | | 70% | | |

Abbreviations & Definitions:

HOA - Heads of Agreement
City - City of Cape Town
SDA - Service Delivery Agreement
MOU - Memorandum of Understanding
WPR - Western Province Rugby (Pty) Ltd
CTICC - Cape Town International Convention Centre

Disclaimer: The Cape Town Stadium Company is responsible and accountable for risk management. IRM's responsibilities are limited to the facilitation of the risk identification, assessment and treatment processes. Risks assessed with a rating below the approved risk acceptance level remain the responsibility of the risk owner and should not be regarded as "interior risks". These require management actions but will not be monitored during IRM processes.

Sign-off serves as a certification that inter alia:

- Contributing factors which are accepted implies that the existing controls will be maintained;
- Risks were not manipulated in any manner and / or omitted on purpose;
- Reasonable assurance can be provided that key risks have been identified;
- "SMART" actions were developed taking into consideration accountability, sustainability and systems to facilitate action implementation.
- Sufficient resources are available to implement actions developed.

Risk Owner:

Signature:

Date:

Lesley De Reuck
2 December 2019